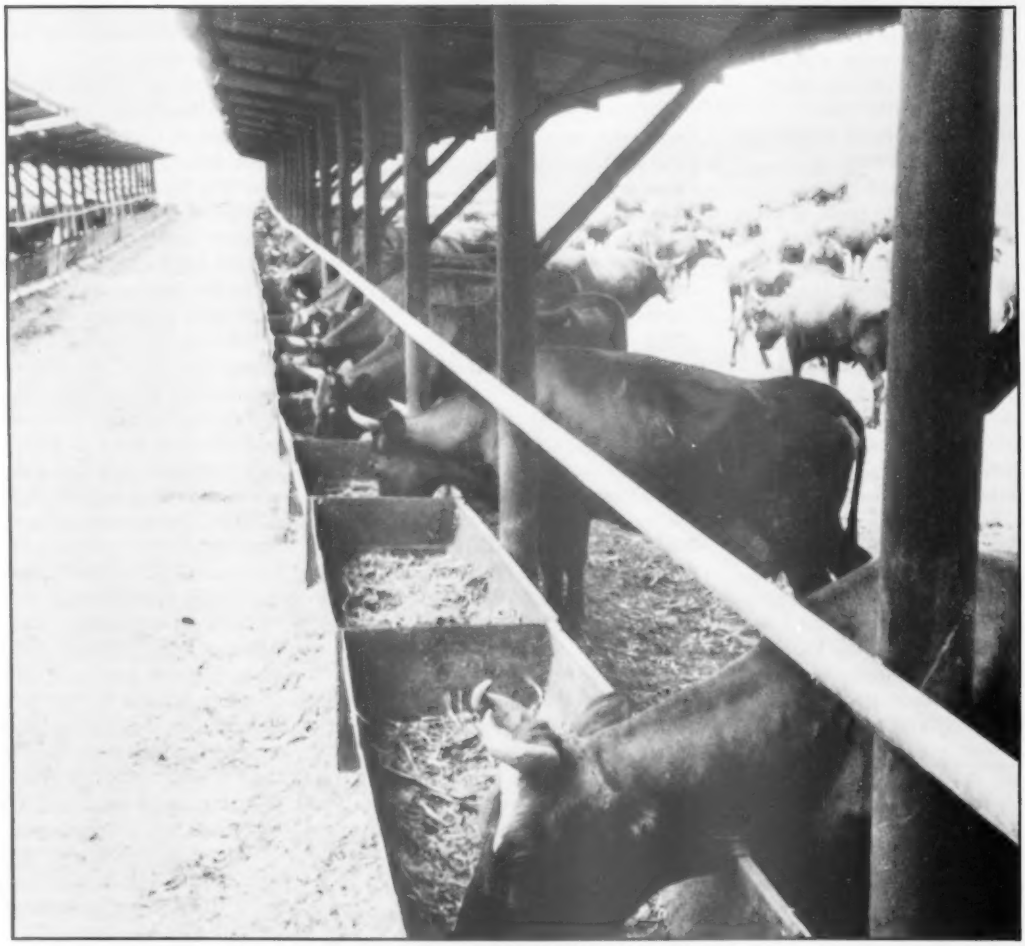
FOREIGN AGRICULTURE

October 1979

United States Department of Agriculture Foreign Agricultural Service

Dairy cattle in the USSR.



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U.S. Goals in World Food Policy

Food production in many developing countries is not keeping pace with population growth and demand. Although food production grew by about 3 percent in 1978, it fell short of the 4 percent target cited in the UN International Development Strategy. National food reserves in most developing countries were also well below desired levels. At the same time, the capacity of the non-Organization of Petroleum Exporting Countries (OPEC) developing countries to import food has deteriorated. While the costs of oil and capital equipment keep rising, the value of many commodity exports has declined. The International Monetary Fund reports the combined current account deficit for these countries in 1979 could reach an all-time high.

The prospects for these countries—and particularly the low-income, food-deficit countries—are cause for serious concern. International efforts to improve world food security in recent years, while significant, have not proved adequate. Negotiations for a new International Wheat Agreement have been suspended. Food aid commitments have not reached the 10-million-ton target set by the World Food Conference. Meanwhile, upwards of a half billion people continue to be ill-fed and malnourished. Greater cooperation amoung nations is necessary if we are to reduce these numbers and to improve the opportunities for people to lead healthy, productive lives.

The U.S. goal in world food policy is to help developing countries improve their food production and distribution and make more food supplies available, particularly to the poor and nutritionally vulnerable. As long as necessary, we will work to meet short-term and emergency hunger needs through bilateral and multilateral food aid.

We strongly endorse the proposal that poor countries take the initiative in developing food strategy plans. Through the development of these plans, the agricultural sector will receive the high priority it deserves in each country. The United States, other developed countries, and international organizations can provide technical assistance in formulating these strategies.

Since the World Food Conference, the United States has participated actively in efforts to achieve world food security. We believe this objective is of preeminent importance. We regret that negotiations for a new International Wheat Agreement with realistic price bands and stock levels have not been successful. We would encourage those countries that have participated in the negotiations to resolve their differences. However, we must also pursue other initiatives.

First, we must complete the text of a new Food Aid Convention, and should do so this year. A new Convention will be an important step in assuring that sufficient food aid is available. We must also attain the 10-million-ton target for guaranteed annual food aid commitments. My country has pledged 4.47 million tons of cereals as our minimum annual commitment for food assistance during negotiations for a new Food Aid Convention, and we intend to unilaterally honor that pledge.

We urge other donors to implement the pledges they made during the negotiating sessions. Further, we urge all countries in a position to contribute to the convention—whether in cash or in kind—to do so.

Second, we should concentrate on the establishment of food security systems in the developing countries. This will require assistance in building food storage facilities, and in designing systems to maintain and distribute food reserves. We call on the World Bank and other multilateral financial institutions to further support such programs.

What is the United States doing to better the lot of the food-deficit developing countries. First of all, we are providing nearly two-thirds of the world's concessional food assistance. Our contributions this year will amount to $1.4 billion, or almost 6.5 million tons of agricultural commodities.

Almost half of our bilateral ecomonic development assistance is devoted to agriculture and rural development. We will seek to channel even more of our food and development assistance in the years ahead to low-income developing countries that encourage higher rates of domestic food production, and more equitable distribution of food and agricultural resources, including land.

—From remarks by Secretary of Agriculture Bob Bergland to the World Food Council in September.

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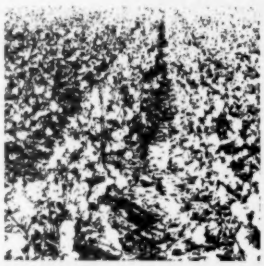

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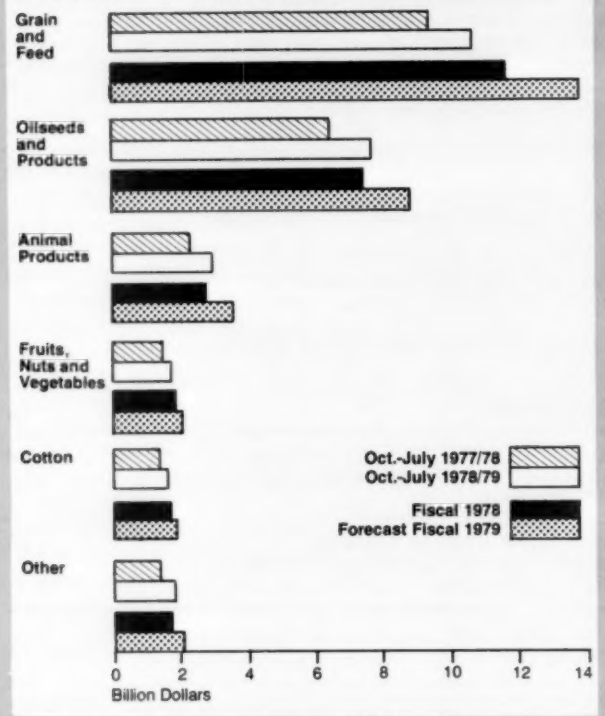

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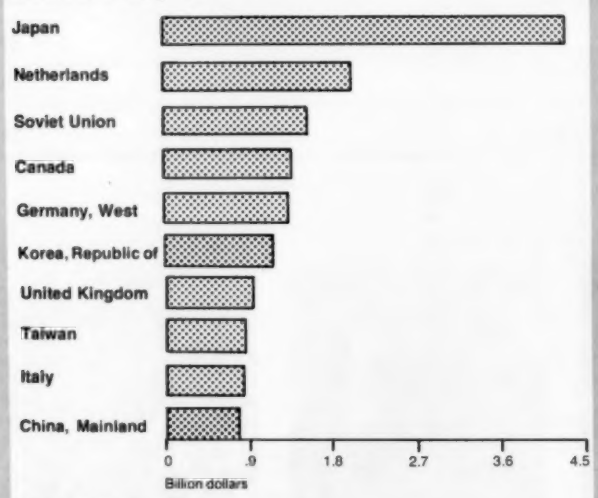

[1]Not adjusted for transshipments

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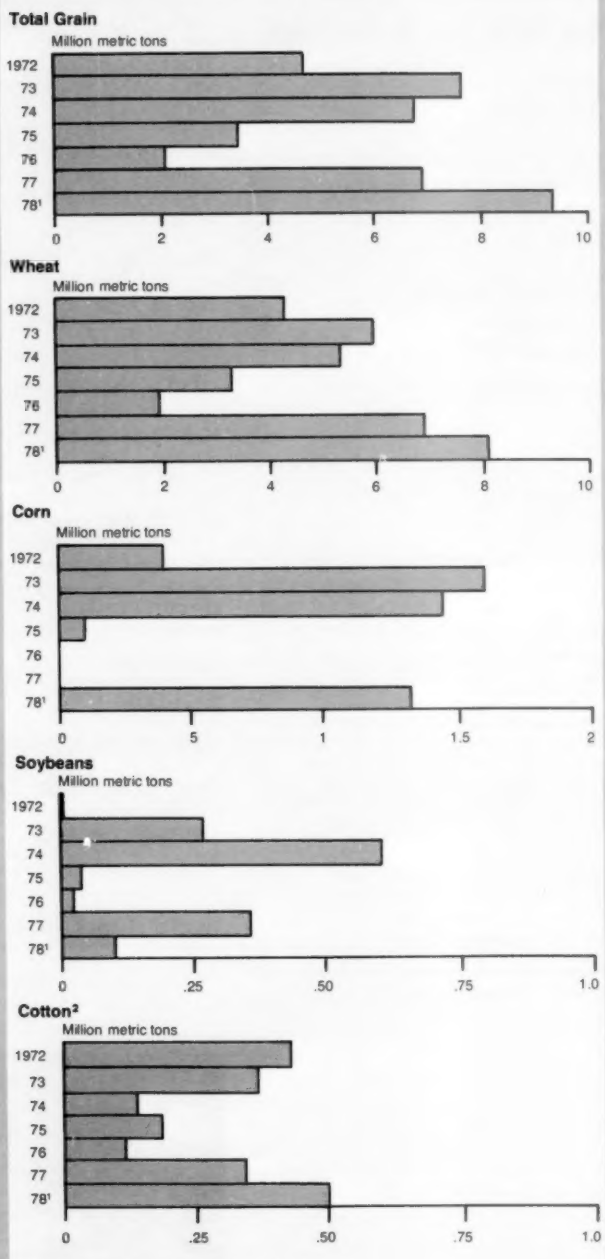

[1]Preliminary or estimated. [2]Year beginning August 1.

Sources: Partner Country Trade Statistics. USDA estimates.

COMMODITY UPDATE

WORLD COTTON PRODUCTION IN 1979/80 IS PROJECTED AT 64.1 MILLION BALES, compared with 59.7 million bales in 1978/79. Foreign production may increase by 1 million bales to around 49.9. However, U.S. production is estimated at 14.2 million bales, 3.3 million above the 1978/79 level.

World cotton area is estimated at 32.5 million hectares for 1979/80, slightly larger than the 1978/79 area of 32.2 million hectares. Increased area in the United States and Colombia may more than offset smaller plantings in Iran, Nicaragua, and Turkey. Cotton area in the Soviet Union is estimated at 3.087 million hectares, 1.6 percent greater than in 1978/79.

World cotton consumption in 1979/80 is expected to drop from the estimated consumption level of 62.9 million bales (480 lb net) in the previous season. Concern over an economic downturn in the United States is beginning to have a dampening effect on cotton use. Several Asian textile producers also report growing difficulty in making forward textile sales. The actual decline will depend on the severity and length of the current recession.

Foreign demand for U.S. cotton in 1979/80 is expected to continue strong since, although the projected foreign production increase is modest, foreign stocks are relatively low. The forecast of U.S. cotton exports for 1979/80 is 6.0 million bales (plus or minus 1 million), compared with 6.2 million shipped in 1978/79.

U.S. spot market prices in early September averaged 62 cents per pound per SLM 1-1/16", compared with 59.78 cents a year earlier. The Northern Europe Index "A" averaged 78 cents a pound in early September, 4 cents above the September 1978 average.

IN RECENT WEEKS, WORLD GRAINS HAVE CONTINUED TO MOVE IN THE DIRECTION of somewhat short supplies. Although world grain production, including milled rice, is currently estimated at 1.383 million tons—the second largest volume ever—record utilization of 1.421 million tons is expected to drawdown 1980 ending stocks by about 38 million tons, or 17 percent below the level for ending stocks in 1979.

In 1980, aggregate marketing-year ending stocks will represent about 13 percent of global utilization, versus 16 percent in year earlier, and 12 percent during the relatively tight 1973-75 period.

World trade is still estimated at a record 190 million tons, with trade continuing constrained more by logistical difficulties in major exporting and importing countries than by tempered import demand.

REPRESENTATIVES OF JAPAN'S TOBACCO MONOPOLY (JTS), THE GOVERNMENT, AND THE TOBACCO GROWERS ORGANIZATION are presently engaged in discussions to determine prices for the 1979 tobacco crop, and to target production for 1980 and subsequent years.

JTS wants to maintain prices at present levels and reduce planted acreage in view of excessive stockpiles of domestic leaf and stagnating consumption. Cigarette sales since 1974 have increased very little, reflecting the impact of retail price hikes and intensified antismoking activity. JTS has been upgrading the quality of its cigarettes by using larger quantities of imported tobacco in an effort to stimulate sales.

Use of domestic tobacco has declined accordingly, and JTS now holds more than 3 years' manufacturing requirements of domestic leaf—an amount it would like to reduce by at least one-third. Production adjustment measures in recent years have had only moderate impact. Harvested area has declined from 64,246 hectares in 1977 to an authorized area of 62,550 hectares in 1979—a reduction of

less than 3 percent. Leaf production in 1979 is forecast at 169,000 tons, compared with 173,249 tons in 1977. Prices for the 1978 crop were raised 6 percent over 1977's level.

The growers association is insisting on even higher prices for the 1979 crop—demanding prices under a compensation formula that will guarantee returns to producers fully commensurate with incomes provided under the urban industrial-wage system. It is also asking for guaranteed supplies of oil for production and curing.

Tobacco growers are seeking a relaxation of domestic production controls and limitations on imports of foreign leaf tobacco, which, they claim, have risen from 15 percent to more than one-third of Japan's total consumption during the past 10 years.

Japan is a leading market for U.S. exports of unmanufactured tobacco. Shipments in 1978 were 46,400 tons, valued at $227 million, down sharply from 61,400 tons and $260 million in 1977. U.S. exports during January-July 1979 were up 14 percent in quantity and 30 percent in value over those of the same 7-month period of 1978.

THE 1979/80 COFFEE CROP IS UP 2 PERCENT FROM INITIAL ESTIMATES. The second USDA estimate of the 1979/80 world coffee crop (total production) is 80.2 million bags (60 kilograms each). This is 1.9 million bags greater than the first estimate of total output and is 4 percent above the revised estimate for 1978/79. Based on past performances, the chances are two out of three that the second estimate of total production will not vary more than 3.3 percent from the final outturn figure for the year.

Exportable production of coffee, which represents total harvested output, less domestic consumption, in producing coutries, is estimated at 60.1 million bags, up from 57.9 million bags in 1978/79.

WORLD PRODUCTION OF OILSEEDS DURING 1979/80 IS CURRENTLY FORECAST at 176.8 million metric tons, 10 percent above the 158.6-million-ton 1978/79 output. Expanded area, along with improved yields for the major oilseeds, is expected to result in sharply higher production of soybeans and sunflowerseed, with smaller increases for each of the other oilseed crops.

U.S. oilseed production during 1979/80 is forecast at 69.4 million tons, 39 percent of world production, highlighted by both record soybean and sunflower crops.

Exports of U.S. oilseeds and products remain strong, topping those of a year ago. Soybean exports during September-July were up 6 percent; soybean meal exports during October-July were up 12 percent; and those of soybean oil also were up 12 percent. Sunflowerseed exports during September-July were up 55 percent.

Despite large supplies of oilseeds, world prices for oilseeds and products have been generally above those of a year ago.

WORLD ALMOND PRODUCTION IN 1979 IS EXPECTED TO REBOUND AFTER DECLINING for the past two seasons. Production is expected to total 210,000 metric tons (shelled basis), slightly below the 1976 record of 223,000 tons.

The United States, the largest almond producer, is expected to set a new record of 146,000 tons, equal to 70 percent of the world's total.

Subfreezing temperatures in February and summer drought have reduced Spain's production to about 35,000 tons, only about half of its potential.

Record world walnut production is expected in 1979 after declining slightly for the past three seasons. Preliminary estimates place the 1979 crop at 263,000 tons (inshell basis), up 21 percent from last year's.

The United States is expecting a record walnut crop of 191,000 tons. France, the second largest producer, is expecting its outturn to total 30,000 tons, the same as last year's.

French poultry house holding 3,000 chickens. France is the EC's most important exporter of whole chickens to the Middle East.

EC Poultry Meat Subsidies

Once tool to move occasional surplus, subsidies now spur output for export.

By Hilton P. Settle

Combined, the countries of the European Community (EC) are the world's largest importer and exporter of poultry meat, although most of its trade is between its members. By means of its import levy system, the Community provides its domestic producers with protection against competition from poultry meat imports from non-EC sources—such as the United States. At the same time, its system of export subsidies often gives its poultry a price edge in non-EC markets.

While U.S. poultry meat exporters can do little to boost shipments to the EC because of the levy system, they may be able to improve their standings in other markets—particularly the Middle East—by stressing the high quality of U.S. poultry.

West Germany is the world's largest single importer of poultry meat, making most of its purchases from the Netherlands, which, by virtue of these shipments, is the largest world and EC exporter of poultry meat. But the West German market, as well as the rest of the EC, is virtually closed to U.S. exporters of poultry meat (except for turkey parts), owing to the EC's Common Agricultural Policy (CAP).

Before the CAP was implemented in mid-1962, West Germany and the Netherlands were the two leading export markets for U.S. poultry meat. The closing of these markets to U.S.

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poultry exporters led to the so-called chicken war between the EC and the United States.

The only meaningful exception to the EC levy system applied to poultry shipments to the Community is the GATT (General Agreement on Tariffs and Trade) binding that allows U.S. prepared and preserved poultry products to enter the EC under a 17 percent ad valorem duty. Imports of fresh or frozen poultry meat are subject to the highly restrictive gate prices and variable supplementary levy system.

As of August 1, 1979, these duties ranged from nearly 28 cents per kilogram for chicken backs and necks entering West Germany, to $1.20 per kilogram for boned poultry meat.

The emergence of the EC as an exporter of poultry meat to world markets is a relatively new development and can largely be attributed to the granting of substantial subsidies to promote shipment of whole chickens and certain chicken parts. These subsidies ranged as high as 40 cents per kilogram last year for EC exporters.

Since the CAP does not include provisions for production controls or a direct support system, it appears that these export subsidies were originally intended to rid the EC market of periodic, excessive supplies generated by the import-levy protected, high internal prices.

More recently, however, it became obvious that these payments have become a more or less permanent element in the formulation of EC production plans.

Consequently, EC poultry meat production is no longer at levels necessary just to meet internal demand, with minimal overproduction being shipped out of the EC at subsidized prices. The EC's marketing concept now appears to be to gear output to levels that meet domestic requirements, but which also allow subsidized exports on a planned basis.

EC export subsidies have been used almost continuously since the poultry CAP was instituted and have had an inhibiting effect on export sales of U.S. poultry to some non-EC countries.

European Community: Expenditures for Chicken Export Subsidies 1973/79

Year	Amount *EC units of accounts*[3]	Amount *U.S. dollars*
1973[1]	17,764,038	21,423,429
1974[1]	12,334,860	14,875,841
1975[1]	4,108,198	4,954,487
1976[1]	7,752,746	9,349,812
1977[1]	17,441,469	21,034,411
1978[2]	23,500,000	[4]29,845,000
1979[2]	33,600,000	[4]45,696,000
Total	116,501,311	147,178,980

[1] Actual amounts spent. [2] Budgeted amounts. [3] Fixed-parity unit of account (1 u.a.=$1.206.) used for budget 1973-77; European unit of account (EUA) adopted for budget 1978. Average EUA value in 1978=$1.27; $1.36 in first part of 1979. [4] Estimated. Source: General Budget of EC for Financial Years 1973-79.

European Community: Subsidized Whole Chicken Exports to Selected Mideastern Countries, 1973-78

[Metric tons]

Destination	1973	1974	1975	1976	1977	1978[1]
Saudi Arabia	6,812	12,512	18,772	34,122	51,794	—
United Arab Emirates	2,181	5,774	8,565	15,326	14,508	—
Iran	2,181	6,404	11,850	21,446	18,473	—
Iraq	152	6,011	10,730	1,351	[2]	—
Kuwait	1,479	7,665	4,499	7,718	8,626	—
Bahrain	1,065	1,369	2,104	2,827	2,205	—
Qatar	517	685	451	808	447	—
Oman	72	267	336	960	3,358	—
Syria	50	2,030	[2]	[2]	[2]	—
Lebanon	1,502	4,239	900	[2]	1,888	—
Egypt	0	403	1,014	83	1,080	—
Jordon	146	943	645	[2]	[2]	—
Yemen, North	[2]	[2]	[2]	1,810	7,654	—
Yemen, South	[2]	[2]	[2]	[2]	231	—
Total	16,157	48,302	59,866	86,451	110,264	[3]130,000

[1] By-country totals unavailable. [2] Unavailable or zero shipments. [3] Estimated. Source: Eurostat-Nimexe.

European Community: Subsidized Whole Chicken Exports To Selected Mideastern Countries[1] by Country of Origin, 1973-78

[Metric tons]

Origin	1973	1974	1975	1976	1977	1978[2]
France	3,893	16,704	36,255	40,654	47,839	—
Netherlands	3,815	8,157	6,498	12,103	8,157	—
Denmark	[3]	13,114	11,965	15,927	14,293	—
United Kingdom	[3]	330	31	1,756	22,357	—
West Germany	8,366	9,427	5,117	15,810	17,618	—
Belgium-Luxembourg	83	570	[3]	201	[3]	—
Italy	[3]	[3]	[3]	[3]	[3]	—
Ireland	[3]	[3]	[3]	[3]	[3]	—
Total	16,157	48,302	59,866	86,451	110,264	[4]130,000

[1] Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, North Yemen, South Yemen. [2] By-country totals unavailable. [3] Unavailable or zero shipments. [4] Estimated. Source: Eurostat-Nimexe.

Whole chickens, which are subsidized in export trade, are classified in three categories. These are so-called 83-percent (dressed weight) chickens (plucked and gutted, with heads and feet), 70 percent chickens (plucked and drawn, without heads and feet, but with hearts, livers, and gizzards), and 65 percent chickens (plucked and drawn, but without heads, feet, hearts, livers, and gizzards).

Prior to May 1, 1974, each category was subsidized at a different rate. On that date, however, the rate was made the same for all three categories.

Effective August 15, 1974, the EC changed its subsidy policy on exports of slaughtered whole chickens to third countries. Before the change, exports to any third country were eligible for subsidy. The new policy made subsidies available only for shipments of whole chickens to Jordan, non-EC countries in Europe, Arabian Peninsula countries, and those bordering the Mediterranean Sea and the Persian Gulf.

On September 1 of the same year, shipments to Cuba and the Canary Islands became eligible for export subsidy; and in ovember 1975, the African countries were added to the list of eligibles.

EC shipments of whole chickens to all non-EC countries have grown from 72,631 metric tons in 1973, when all were subsidized, to 200,196 tons in 1977, with some 186,000 subsidized.

Subsidy payments cost the EC over $100 million between 1973 and 1978. The amount budgeted for subsidy payments in 1979 comes to $46.7 million, almost half the amount for the entire 1973-78 period.

Ironically, it is the petroleun-rich Mideastern countries that benefit most from the low prices resulting from the subsidy payments. EC shipments of whole chickens to this area, all of which are subsidized, have risen from 16,157 tons to an estimated 130,000 tons between 1973 and 1978.

Saudia Arabia, Iran, and the United Arab Emirates have been the most important importers of EC whole chicken in the Middle East. Kuwait and North Yemen have also developed into substantial EC importers in the last few years.

Poultry display in French supermarket. French chicken exporters have benefited most from EC subsidy payments for whole chickens.

French chicken exporters have benefited most from the EC's subsidy payments for whole chicken, as their shipments to the Middle East countries grew from 3,893 tons in 1973 to 47,839 tons in 1977. The United Kingdom was the second largest exporter to this area in 1977.

West Germany, the world's largest importer of chickens, also is now a large exporter, its shipments moving upward from 8,366 tons to 17,618 tons in the period.

These sizable shipments of EC subsidized chickens to the Middle East, however, account for only approximately 35 percent of the area's requirements, with East European countries, the People's Republic of China, Brazil, and the United States supplying the balance. But the U.S. suppliers have certain pluses that might enable them to boost their meager share. of this fast-growing market

One of the most important factors is the high quality of U.S. chickens, and the U.S. regulations that limit water pickup in chicken carcasses.

The United States has been at somewhat competitive disadvantage relative to EC poultry products because of the strict U.S. water content controls for poultry products limiting water pickup to 8 percent. Trade reports have indicated that some EC poultry products may contain excess moisture pickup of as much as 20 percent.

Mideastern buyers are becoming more interested in learning about the inspection and grading standards in effect in the United States.

All poultry, whether consumed domestically or exported, must be inspected for wholesomeness by USDA's Food Safety and Quality Service. Foreign importers can also request USDA grade certificates on poultry products.

U.S. exporters, however, are now facing increased competition from EC suppliers. On June 1 of this year, the Community reinstated export subsidies on chicken parts for the first time in 5 years.

So long as these subsidies continue, it would appear that U.S. chicken part exports are in for tough competition.

As a marketing tool against the EC subsidies, U.S. exporters must emphasize the high quality and reliability of supply of U.S. chicken products. □

The Expanding Soviet Mixed-Feed Industry

A U.S. team of grain and feed specialists that recently returned from an official trip to the USSR believes that shortages of protein supplies in feed represent the single most important problem confronting the Soviet livestock economy. USSR livestock numbers are at record highs, but the Soviets must solve the protein problem if they are to achieve their ambitious livestock and meat production targets.

By Keith Severin

Emphasis on mixed feed production is one of the latest tactics being tried by the Soviet Union in its long-standing drive to boost meat production.

Begun in 1965 with Chairman Brezhnev's accession to office and subsequent stress on satisfying consumer demand, this drive by 1978 had led to a 50-percent increase in Soviet meat output. The gain was not enough, however, to satisfy either consumers or Government planners, who have begun focusing on greater use of mixed feed as a means of boosting livestock productivity.

Among the likely side effects will be expanded demand for protein supplements, some of which may have to be imported despite Soviet efforts to increase their own production. Even at the still-low levels of domestic usage, soybean imports have been necessary in the past few years, with Brazil and the United States supplying the bulk of these purchases. During calendar 1978, for instance, the United States shipped 744,000 tons of soybeans worth $200 million to the USSR, compared with none prior to 1972.

As part of the program emphasizing mixed feed, the Soviet Ministry of Agriculture has been given some responsibilities for its production, along with the Ministry of Procurement—the industry's traditional overseer. The changes are expected to improve coordination of the mixed feed and meat production programs and result in better use of materials suitable for feed.

Last year, Soviet mixed feed plants—of both the Ministry of Procurement and the Ministry of Agriculture—produced about 60 million tons of mixed feed. This came to nearly four times the 15.5 million produced in 1965, but still was probably considerably less than half the country's total feeding of concentrates. (In 1977, the last year for which complete figures are available, only 51.3 million tons of the total 143 million tons of concentrates fed were in the form of mixed feed.)

Plans are to boost mixed feed output to 68 million tons in 1979, 77 million in 1980, and 100 million in 1985.

Goals for meat output likewise have been revised upward. In early 1978, the average annual meat output target for the 10th Five-Year Plan (1976-80) was raised 1 million tons above the original official figure to 16.4 million tons. This compares with the official 15.2 million tons of meat actually produced in 1978—a record but still 400,000 tons below target—and the 10 million produced in 1965.

For 1980, the target is 17 million tons, and for 1985, 19.5 million.

Chairman Brezhnev gave considerable impetus to development of the Soviet mixed-feed industry in his July 3, 1978, speech to the USSR Central Committee of the Communist Party, in which he stated:

"We are seeking to ensure that all grain going for the needs of livestock is fed after processing and in a balanced way."

Brezhnev also acknowledged the deficiency of protein in Soviet livestock feeds and noted that it must be overcome if grain is to be fed efficiently.

After calling attention to such announced Soviet goals as average annual grain production during 1981-85 of 238-243 million tons (an average output of 1 ton per capita by 1990) and 19.5 million tons of meat production by 1985, Brezhnev observed that "the present level of livestock farming does not meet swiftly growing requirements," and declared that "the immediate task is to increase the production of meat."

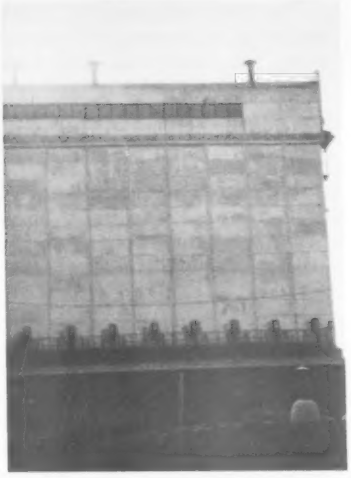
Chairman Brezhnev noted that loss of potential livestock products because of inefficient and unbalanced rations was considerable, and that the time had come for steps to improve the livestock-feed economy. Changes were needed, he stated—particularly in the mixed-feed industry—if Soviet livestock goals were to be met and feed resources used efficiently.

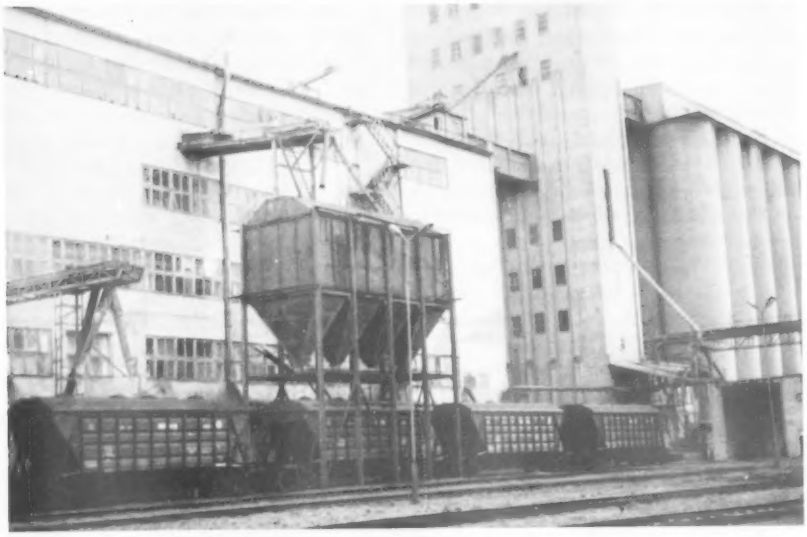
Brezhnev also called for the establishment of an independent sector of specialized beef cattle farming and further development of the hog and poultry industries

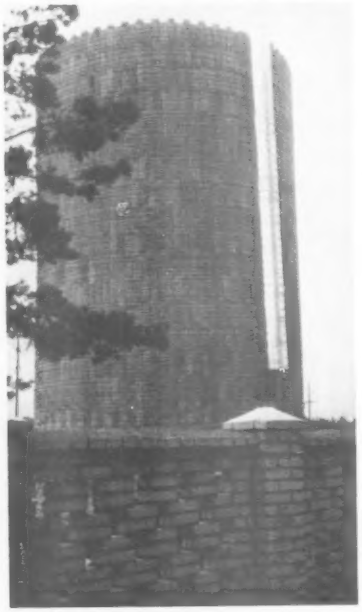
Subsequently, a new Government agency in the USSR Ministry of Agriculture—the Main Administration for Mixed Feed—was established in October 1978. Thus the Soviet mixed-feed industry took on a new organizational structure with two branches—one in the Ministry of Agriculture and the other in the Ministry of Procurement. Each has its own responsibilities and facilities.

Ministry of Procurement. Historically, responsibility for mixed-feed production had been in the Ministry of Procurement. It is the more prominent of the two Soviet organizations because it produces a much larger volume—about two-thirds of total mixed-feed output—and its products are more complex.

The following article is derived from a detailed report, now in preparation, of the U.S. mixed-feed team that visited the Soviet Union, April 22-May 15, under the U.S.-USSR agricultural agreement exchange program. In addition to the author, team members were Philip Mackie (team leader) and Arthur Coffing, both of FAS; William B. Briggs, representing the U.S. Feed Grains Council; and George H. Wellington, representing the American Soybean Association. The team visited with Soviet officials in Moscow, in the Byelorussian and Lithuanian Republics, and in the Rostov and Voronezh districts of the Russian Republic.







Clockwise from top left: The Rogachev Interfarm mixed feed plant, with portable truck scales in foreground. Egorlysk Interfarm mixed feed plant in Rostov Oblast, which was built in 1975 and last year produced nearly 15,000 tons of mixed feed. Seed cleaning facility at the Rogachev Interfarm mixed feed plant. A new grain silo under construction at the same plant. An indoor confined beef feeding operation at a research institute south of Moscow. Grain hopper cars await unloading at feed plant/flour mill at Vevsin, Lithuania.

The Ministry of Procurement is charged with purchasing grain and oilseeds from State and collective farms, as well as storing, transporting, and processing these commodities. The Ministry may also draw upon State stocks for raw materials. Its plants usually have been located at or near flour mills and are less modern than those in the Ministry of Agriculture System. This situation is changing, however.

By contrast, the Ministry of Agriculture—which formally began manufacturing mixed feeds in October 1978, when its Main Administration for Mixed Feed was established—produces a smaller volume and simpler feeds.

Feed mills associated with the Ministry of Agriculture are interfarm plants, either serving the 10-15 farms in a rayon (district), or are located on large, specialized livestock farms.

These plants basically use locally produced grains and other raw materials, which are supplemented by protein-vitamin mixes purchased from the Ministry of Procurement. The grain and other materials used by the Ministry of Agriculture plants would in all likelihood otherwise be fed straight (in unprocessed form) or perhaps not used at all.

The year that marked Breshnev's accession to power—1965—could, in a sense, also be considered as the beginning of the Soviet mixed-feed industry's operations. The 15.2 million tons of mixed feed produced by Procurement Ministry plants went mainly to the hog industry (63.4 percent), with cattle taking 18.1 percent, poultry 16.8 percent, and other livestock the remainder.

These proportions had shifted significiently by 1978, when Procurement plants produced 46 million tons of feed—the hog sector's share had declined to 36.9 percent, that for poultry had more than doubled to 34.9 percent, and the cattle share had risen to 22.4 percent.

Poultry is expected to continue to receive top priority and before long will account for the largest share of feed produced by the Ministry of Procurement.

Between 1965 and 1978, the number of feed plants under Procurement Ministry jurisdiction declined from 787 to 592, but with new construction, remodeling, and modernization, the total is espected to stabilize at about 600 in the early 1980's.

As the number of feed plants has declined, capacity has increased. According to Procurement Ministry data, the 787 plants operating in 1965 had the capacity to produce a total of 89,169 tons of feed daily, for an average of about 115 tons per unit.

In 1980, the Ministry expects to have 614 plants with a total capacity of 175,282 tons daily, averaging about 270 tons per plant.

Comparable target figures for 1985 indicate that the Ministry of Procurement plans that its 578 plants will have an average daily output capacity of nearly 450 tons per unit, meaning total output capacity will approach 260,000 tons daily. Whereas in the earlier years most feed plants were associated with flour mills, by 1985 it is planned that 571 of the 578 plants will be strictly mixed-feed operations.

Total production in 1980 by Ministry of Procurement units is targeted at 52-53 million tons, of which poultry and hogs will receive about one-third each and cattle about one-quarter. The remainder will mainly be for sheep and fish.(Soviet officials have expressed interest in fish culture in the United States and the technology associated with the manufacture of mixed feed for fish. Fish feed is gradually assuming greater importance in the output of the Ministry of Procurement and will account for 2.5 percent of its total production in 1980—almost as much as for sheep.)

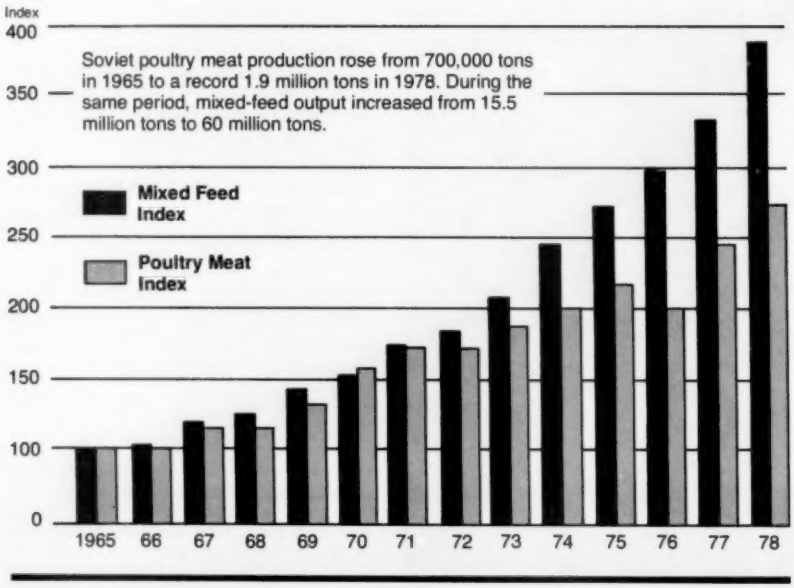
Stress also will be placed on production of pellets or granular feeds, the most efficient feed form, whose share of total feed production by the Ministry of Procurement rose from less than 1 percent in 1965 to 16 percent (6 million tons) in 1975. A further sharp gain to 14 million tons, or more than 27 percent of production, is targeted for 1980.

Protein-vitamin supplements are an increasingly important aspect of production. Besides using these concentrates in the complete feeds they produce, the Procurement Ministry's plants sell these supplements to plants within the Ministry of Agriculture's system.

Without these supplements, interfarm and farm plants would, in effect, be grinding and rolling mills, unable to improve the nutritional content of the grains received for processing.

Protein-vitamin supplements apparently were introduced in Soviet feed manufacture in 1967, when about 5,000 tons of these supplements were produced. In 1978, output of protein-vitamin supplements had risen to 2.7

USSR: Indexes of Mixed Feed and Poultry Meat Production, 1965-78 (1965=100)



million tons, and the targets for 1980 and 1985 are 4 million and 5 million tons, respectively. Generally speaking 1 ton of these concentrate supplements can be used to produce about 6 tons of mixed feed.

Main Administration for Mixed Feed. This new Ministry of Agriculture organization has as its stated goal the maximum utilization of resource materials in keeping with technological principles and the expansion of mixed feed production

Two departments (upravleniye) and two divisions (otdel) comprise the Main Administration. The two departments, which deal mainly with production, are the Department of Mixed Feed Production and the Department for the Production of Feed Additives.

The first of the two divisions deals with design and organization of construction in the mixed-feed industry, Food Industry, while the second is the Feed Utilization Division.

The responsibilities of the new organization are quite broad, and—as is the case with the Ministry of Procurement—it has working relationships with many other ministries, including the Ministry of Machine Building for Animal Husbandry and Fodder Production.

The Main Administration reportedly deals with five different ministries to obtain feed additives, including the Ministries of the Fish Industrty, Chemical Industry, Microelements, and Procurement.

By contrast, the Ministry of Procurement receives raw materials from some 30 separate ministries for its feeds. The problems of coordination are obvious.

One of the biggest tasks facing the Main Administration is to coordinate the feed requirements of farms—especially the large-scale specialized farms—with the Ministry of Procurement. For example, Ptitseprom and Glavzhivprom, the two organizations under the Ministry of Agriculture for the large-scale poultry and livestock farms, respectively, convey their requirements for feed to the Ministry of Procurement, which must try to satisfy them.

The Main Administration's role in the coordination process becomes significant when reconciliation regarding quantities, ingredient mixes, or prices becomes necessary. (Nutritional content of a feed mix never comes into question, however, as it is set by State standards and is usually valid for 5 years.

An obvious advantage of the Ministry of Agriculture's operations of feed plants is the use by the plants of locally produced raw materials, thereby enabling these materials to be fed in a more efficient form. Managers at the interfarm feed plants have a degree of latitude in organizing their supplies of ingredients. At one plant, for example, seed is cleaned and processed for member farms to get the clean-out residue for use in feed mixes.

While the Ministry of Agriculture plants are operated separately from those run by the Ministry of Procurement, they are not completely independent because of the need for protein-vitamin supplements for some of the more complex feeds.

For example, the Ministry of Procurement has reported that State and collective farms and interfarm enterprises produced 4.9 million tons of mixed feed in 1975 and 12.6 million tons in 1977.

In 1978, output by the Ministry of Agriculture was 14 million tons, and the plans for 1979, 1980, and 1985 are 20 million tons, 24 million tons, and 30 million tons, respectively. These figures for the future also represent a gradually growing share of total Soviet mixed-feed production, with the Ministry of Agriculture accounting for about a third of total output in 1985.

Officials state that Ministry of Agriculture plants have an annual capacity to produce 30-35 million tons of feed, using two shifts per day. However, since the Ministry of Procurement will provide only 3.25 million tons of protein-vitamin supplement—sufficient to produce 20 million tons of mixed feed—nearly half of the Ministry of Agriculture's Industry's capacity will go unused in 1979.

The Main Administration for Mixed Feed—like the Ministry of Procurement—maintains offices at the republic and oblast levels within the local ministries of agriculture. In the Ukrainian, Moldavian, Byelorussian, and Kazakh Republics, in about half the oblasts of the RSFSR, and in about half the union republics in general, local mixed-feed production is, according to Moscow officials, "well developed."

In many instances, each rayon has an enterprise for processing grain and other ingredients for the State and collective farms located within it.

Despite the newness of the Ministry's Main Administration for Mixed Feed, this young arm of the industry intends to make itself felt, both in terms of production and overall direction within the industry.

Protein problems. The Soviet officials who met with members of the U.S. team readily acknowledged the shortage of protein for livestock feeding in the USSR and its adverse affect on livestock and meat production.

While difficult to quantify because of problems of definition and approach, students of the problem—including the Soviets themselves—are generally of the opinion that the USSR protein deficit is about 30 percent—that the USSR has about two-thirds to three-fourths of the total protein supplies required for proper feeding.

Reluctant to address their needs in terms of imports, the Soviets who met with the U.S. team cited measures designed to attack the protein-deficit problem. These measures include:

- An increase in area seeded to legumes, particularly non-shattering peas, rape, and soybeans.
- Greater production of "grassmeal" (dehydrated clover, alfalfa, and grasses). In 1978, about 1.2 million tons of grassmeal (14-20 percent protein) were used by the Ministry of Procurement in its mixed feeds.
- More use of yeast and other forms of synthetic proteins. About 1 million tons of yeast are used in manufacture of mixed feed.
- Better use of byproducts of the meat and dairy industries and fermentations from the cellulose industry.
- The team was also told that such exotics as coriander meal and krill (small marine crustaceans) supply some protein.

The Soviets inquired about the use of high-lysine corn and the latest technology in feeding urea (which they use and call "carbamide").

Eliminating the protein deficit appears to be the key to providing balanced rations to Soviet livestock and poultry. Until this deficit is erased—or at least narrowed—the Soviets are likely to encounter recurring obstacles to meeting planned goals for livestock products—particularly red meat. □

Ireland in the EMS:
Trade Ties Strengthened With Other EC Countries

By Robin F. Mosse

When Ireland opted recently for participation in the new European Monetary System (EMS) in the face of the United Kingdon's decision to remain outside (for the present, at least), the move involved more than the termination of a 150-year-old, one-for-one tie between the two national currencies.

For Ireland, cutting the parity link between its pound and Britain's not only severed a financial bond with its closest neighbor and one-time ruler, but also indicated a national decision to strengthen economic ties with the other Europeon Community (EC) countries.

The move away from the U.K. as the principal trading partner will accelerate, and trade with other EC countries is likely to become increasingly important.

Because most EC agricultural prices are protected from outside (market) influences by the Common Agricultural Policy (CAP), Irish agriculture is likely to be less affected by EMS membership than services and manufacturing.

By and large, the main thrust of the EMS on Irish agriculture was expected to be stabilization of agriculture input costs and prices of agricultural products.

However, this is not a foregone conclusion, since imports from the U.K. of agricultural commodities not covered by the CAP and nonagricultural farm inputs such as farm machinery and fertilizer will fluctuate more in price. In fact, as the British pound now seems likely to remain relatively strong in relation to the Irish pound for the foreseeable future, non-CAP items originating in the U.K. will become more expensive.

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Since 1973, when Ireland and the U.K. became members of the EC, Irish trade—particularly in farm products—has expanded away from Britain and toward the other EC countries. Nevertheless, Irish dependence on the U.K. has remained substantial.

In 1978 over 47 percent of Ireland's exports went to the U.K., of which nearly three-quarters were agricultural commodities. Almost 50 percent of Ireland's imports came from the U.K., although agricultural products accounted for less than 10 percent of these imports.

Ireland's long—although often inharmonious—association with Britain nevertheless has resulted in close ties between financial and commercial institutions in the two countries.

The desirability of entering the EMS with the U.K. was accepted in Ireland with little argument. The proposal offered all the advantages of membership without the disruptive effects of a break in with the pound sterling. It was considered probable that the two countries could maintain currency parity with one another within the EMS framework.

When it became apparent that the U.K. was not ready to join the EMS, Ireland's participation became contingent on the monetary assistance that other EMS partners would be prepared to offer to help Ireland overcome the economic trauma of breaking its long-standing link with the British pound.

Irish Premier Lynch tested the water at the December meeting of the European Council, but while expressing his country's enthusiasm for joining, decided at the last minute it was too cold to plunge in. However, after a week or so of thinking it over and with a further financial nudge from some of the other participants, Ireland finally launched with seven other EC members into the new EMS. Unfortunately, the whole thing then temporarily foundered on a disagreement between West Germany and France over the phasing out of monetary compensatory amounts (MCA's).

MCA's are designed to prevent distortions in EC agricultural trade that might result from exchange-rate fluctuations. The strategy is to apply MCA's in the form of export taxes and import subsidies on the agricultural trade of member countries with weak or depreciating currencies, and export subsidies and import taxes on the trade of member countries with strong or appreciating currencies.)

The original starting date for EMS of January 1, 1979, had to be delayed until a compromise on the MCA question was reached (*Foreign Agriculture*, May 1979).

The EMS finally came into being on March 13.

Ireland's final EMS membership terms fell significantly short of the original demands. Premier Lynch had originally asked for total payments equal to about $1.4 billion—the bulk of the total in direct grants—over a 5-year period. This financial assistance was considered necessary to enable Ireland to adjust to EMS membership and the break with sterling.

The eventual agreement was predictably complex, with a combination of EC and bilateral loans at subsidized rates of interest but no direct grants except interest subsidies.

The EC loan comprises the equivalent of $470 million for 5 years through the European Investment Bank, with a $95 million per year interest subsidy to be paid in cash as loans are drawn (equal to a 3 percent interest rate subsidy). The loans are for 15 years, with a 3- to 5-year moratorium on principal.

The second part of the agreement consists of a value arrangement with other EMS participants—except Italy—for a loan to Ireland of about $200 million per year for 2 years, of which about $50 million per year is in grants, to be paid mostly on a government-to-government basis.

Advantages for Ireland of EMS membership, as seen by advocates, result mostly from Ireland's ties to EC countries with relatively strong currencies. The claimed advantages were to be:

• **Stability:** The downward value trend in recent years of the U.K.

pound and therefore of the Irish pound tied to it would be replaced with a relatively stable currency situation. There would be a smaller currency risk in trading with most EC countries, except the U.K., which would further the Irish policy of reducing dependence on the U.K. market.

• **Less inflation:** "Imported" inflation is believed to be a factor in Ireland's very high inflation rates during 1975-78. Some believe that every 4 percent decline in the U.K. pound has resulted in a 1 percent rise in Irish prices. In addition, Irish dependence on trade with the U.K. tended to result in Irish price levels that reflected U.K. price increases for like commodities. Prices for imported raw materials should remain more stable under the EMS—an important consideration for a country heavily dependent on imports.

• **Lower interest rates:** Interest rates could be expected to decline as a result of the new link with stronger currencies and the less inflationary environment.

• **Agriculture:** Despite increased fluctuations in prices of imports from the U.K., overall prices of nonagricultural inputs should stabilize as should Irish MCA's, which were negligible at the time of Ireland's joining the EMS.

• **Economic discipline:** EMS participation should force more stringent economic disciplines on the Irish economy. The need for tightening up the economy would also strengthen the Government's hand in introducing unpopular fiscal policies—particularly wage restraints.

The claimed disadvantages:

• **Trade:** Exports of commodities not covered by the CAP (i.e., mostly industrial products) would become less competitive in Ireland's main export market—the U.K.—if the Irish pound's value were to gain in relation to the U.K. pound. By the same token, nonagricultural imports from the U.K., which already undercut Irish products in many areas, would become even more competitive, leading to lower exports and domestic sales of Irish industrial goods.

• **Currency complications:** Business transactions between Ireland and the U.K. would become more complex and costly because of exchange controls and risks resulting from fluctutions between the two currencies.

• **Investment:** While investment funds from the Euro-bond market would become more easily available, funds from the huge U.K. investment market—Ireland's traditional foreign investment sources—would be more difficult to negotiate. The advantages of quick and trouble-free transfers of funds between U.K. and Irish banks would be lost.

• **Pressure on reserves:** Irish currency would have to stand on its own feet against the pressures of inside and outside currency speculators. If the Irish economy or the EMS should run into trouble, currency pressures could become a serious problem, with very high inflation rates resulting and possible devaluation of the Irish pound—which the break with the U.K. pound was meant to avoid. However, this is somewhat nullified by the built-in protection of the EMS, which allows for support measures to bolster Member States' currencies when they come under pressure.

• **Relative weakness of the Irish economy:** The advantages enumerated by advocates cannot be inherited from stronger EC economies, but must be earned by economic discipline and steady growth in production. Otherwise, Ireland may be forced to devalue the pound within the EMS and most of the advantages of membership would be lost. Critics of Irish membership of the EMS say there is little evidence that the Irish economy is stronger than the U.K. economy, to which Ireland historically has been tied, and that in fact the reverse is more probably true.

Actually, Ireland's decision to join the EMS probably was influenced as much by other factors, such as the attractive loans and grants.

The political motive probably was the most important. Because Ireland benefits significantly from EC membership and is a strong supporter of the CAP, EMS participation provided the country with a chance to prove itself "a good European."

Another motive, although of less importance, is that any move that casts off Irish ties with Britain is usually popular for historical reasons and because of the still-unresolved (in Irish eyes) issue of Northern Ireland. However, the break in the currency ties creates an added barrier to commercial relations with Northern Ireland, which remains in the sterling area.

Contrary to most Irish expectations, Ireland's pound declined in value when it parted company with the U.K. pound.

Also, while U.K. interest rates declined as a result of the stronger British pound, Irish interest rates remained high, and inflation, instead of falling below U.K. levels, is now running above them.

For Ireland to be a successful participant in the EMS and avoid pressure to devalue its currency against the currencies of other EMS members, a tighter Irish fiscal policy will undoubtedly be necessary—a step that is also a prerequisite to achievement of the Government's 1979 economic goals. These targets include economic growth of 6 percent, substantial reduction in unemployment from the current level of around 10 percent, and lowering the rate of inflation to 5 percent.

Recent events do not auger well for achievement of these targets this year. Problems include lengthy strikes in key areas, together with the petroleum supply situation and signs that inflation is rising.

Although prices for most Irish agricultural products will continue to be protected by the CAP, some products not at present covered by the CAP could be affected by the EMS.

For Ireland, the principal traded commodity in this category is lamb, exports of which totaled about $60 million in 1978. However, Ireland's main export market for lamb is France, which is an EMS member. French lamb prices are well above prices obtainable in most other markets, including the U.K. As a result no immediate change is expected in the pattern of Ireland's lamb trade.

Also, many sectors of the fruit and vegetable industry are not protected by the CAP. Irish exports of fruit and vegetables totaled about $45 million in 1978.

Some of Ireland's important vegetable exports are tomatoes, mushrooms, and potatoes, much of which normally go to the U.K. But these shipments are now subject to exchange controls and fluctuations of the two currencies, and if the U.K. pound remains strong in relation to the Irish pound, exports of Ireland's fruits and vegetables will benefit significantly.

However, if the Irish pound becomes stronger than the U.K. pound, serious competitive problems on the U.K. market could develop, particularly in the tomato trade. □

FAS Closes 1978/79 Promotions With Four Exhibits in Europe

The Foreign Agricultural Service (FAS) ended its fiscal 1979 overseas export promotion program in September with exhibits in four European cities. The events included participation by FAS, FAS cooperators, and individual firms in Cologne's ANUGA exhibit, a pair of FAS solo exhibits in the United Kingdom, and an international dairy cattle show in Cremona, Italy.

The 1978/79 schedule saw sales teams visiting eight countries, including Trinidad and Barbados in the Western Caribbean, and more distant countries such as Saudi Arabia and Kuwait in the Middle East. FAS solo shows were held in Hong Kong, Amsterdam, Paris, and Aruba (Netherlands Antilles).

FAS cooperators and breeding services participated in seven livestock shows in fiscal 1979: Two each in Mexico and Italy, and one each in Santo Domingo, El Salvador, and Nicaragua. In addition, FAS had booths in four international expositions: Two in Paris and one each in Tokyo and London.

(During the year, individual cooperators also held product displays and seminars in a number of countries to advance the objectives of their marketing plans for the countries involved.)

The FAS promotion program for 1979/80 will include 10 FAS solo exhibits, sales team visits to 12 cities, three Attache exhibits, and participation in six national and international expositions and six national livestock and dairy cattle shows.

Each FAS overseas promotional activity has its own character and offers U.S. food exporters a chance to promote their products in a way geared to a special audience.

Among the specialized exhibits in which FAS will participate during 1979/80 are health food shows in London and Paris at the beginning of the 1980 fiscal year; and a first-time scheduling of an FAS specialty food show, and a red meat, poultry and seafood exhibit, both in Tokyo.

Participation in FAS sales teams in fiscal 1980 will offer U.S. food exporters a dozen opportunities to work directly with the trade and present the chance to tailor sales approaches to meet the individual needs of each prospective importer.

And of course, Attache product displays offer a different kind of sales opportunity altogether.

The ANUGA presentation—from the 8th to the 12th of September 1979—is an international food and equipment show, held every other year in Cologne, and is considered to be the most important food trade show in Europe, and certainly one of the outstanding expositions in West Germany. Cosponsored this year by FAS and the German-American Chamber of Commerce, the U.S. exhibit was geared to serve the needs of the thousands of guests who visited the American pavilion.

The previous ANUGA show was held in 1977 and attracted 2,146 exhibitors from 78 countries, and 128,000 visitors, including 24,655 from 81 countries other than Germany. The 1979 attendance was similarly large.

The International Dairy Cattle Fair held at Cremona, Italy, September 21-30, is a yearly feature, heavily attended by members of the Italian dairy industry. Major emphasis of the fair is placed on the showing of top-quality dairy cattle and farming equipment. Swine and Quarter Horses also are exhibited.

Italy is a relatively strong importer of U.S. dairy cattle, although the emphasis has shifted from sizable purchases of lower priced cattle to smaller purchases of higher quality breeding stock. Imports of U.S. semen are also important.

This year's participants at Cremona included four FAS cooperators: The Holstein Friesian Association of America, the American Quarter Horse Association, the American Soybean Association, and the U.S. Feed Grains Council, plus four U.S. semen export firms.

The U.K. shows, entitled Food America '79, were FAS solo events carried out jointly by FAS in Washington and the Agricultural Trade Office in London. Mounted in Edinburgh, Scotland, September 17 and 18, and Manchester, England, on the 2 succeeding days, the events presented many new-to-market U.S. foods and a sizable number already established in the United Kingdom, but seeking larger markets.

Fourteen U.K. agents exhibited the food lines of 32 U.S. companies, while four other U.S. firms exhibited directly. In addition, SUSTA (Southern United States Trade Association) distributed literature describing the commodities available from its 15-State region.

Firms and individuals interested in participating in the FAS overseas promotion program can get full information by writing to the Director, Export Trade Services Division, FAS, U.S. Department of Agriculture, Washington, D.C., 20250. Telephone (202) 447-6343. □

Typical FAS/cooperator overseas export promotional activities (clockwise from far left, top row): USDA exhibit stand at the International Food Exhibition, Olympia, London, March 12-16; U.S. exhibit area at the Cremona (Italy) trade show, held this year September 21-30, where U.S. livestock displays drew sizable audiences and result in excellent business; buffet table at the Aruba FAS solo exhibit, May 15-17, after which a U.S. sales team made up of Aruba exhibitors visited Curacao and St. Maarten; a business discussion at the Olympia show between representatives of the North Carolina Department of Agriculture and Universe Foods and Pasta Foods, Ltd, two British firms; a display booth at Aruba showing the wide variety of products offered for sale; a display sponsored by the American Quarter Horse Association, one of the participants at the Cremona Show; and a view of the participants at a U.S. Wheat Marketing Conference, sponsored by Great Plains Wheat, Inc., an FAS cooperator, in Santiago, Chile, May 16.

WORLD FOOD PRICES

Food Price Indexes Up in Eighteen Countries, FAS Says

Food price indexes (FPI's) in the 18 countries surveyed by FAS were up in July over those of the previous month, registering percentage increases from a low of 0.1 percent in the Netherlands to a high of 6.1 percent in Argentina.

The U.S. index (205.1), which reached the 200 percent level in April, increased only 1.8 percent, one of the smallest 3-month increases among the countries surveyed. The U.K. index, at 357.3, jumped a significant 4.3 percent largely because of Government-sanctioned price increases for bread and milk.

Belgium, West Germany, and the Netherlands continue to enjoy the lowest food price inflation rate in the FAS survey, with their July 1979 figures increasing over comparable July 1978 figures by only 0.3, 0.9, and 1.5 percent, respectively.

U.S. agricultural counselors and attaches report monthly FPI's for selected countries in alternate months, as well as prevailing prices for selected food items in the capitals of the countries to which they are assigned.

Meat. Beef prices in Washington D.C. were down significantly; boneless sirloin was selling for the same price as the bone-in cut in the July survey. These reductions are largely the result of attractive broiler and pork prices brought on by increased production, as well as consumer resistance to high beef prices. Prices of pork chops, bacon, and broilers were down 7.2, 26, and 13 percent, respectively.

Washington, D.C. had the cheapest bacon and broiler prices in the FAS survey, lower by 4 cents and 57 per kilogram, respectively, than the next cheapest prices.

In contrast, beef prices were up in all European capitals surveyed except London, where there was a slight easing of prices because of normal seasonal influences and a current spell of warm weather.

In Brussels, sirloin steak

By Jane K. Phillips, economist, Dairy, Livestock, and Poultry Division, FAS.

FOOD PRICE INDEX CHANGES I

Country	Latest month	Index: 1970=100
Argentina	July	131,241.6
Australia	July	252.1
Belgium	July	173.7
Brazil	June	1,204.1
Canada	July	242.7
Denmark	July	240.1
France	July	233.1
Germany	July	148.9
Italy	June	306.7
Japan	July	223.3
Mexico	July	369.0
Netherlands	July	165.0
South Africa	(2)	(2)
Sweden	July	224.4
United Kingdom	July	357.3
United States	July	205.1
Switzerland	July	153.9
Spain	July	327.6

[1]Based on official price indexes. [2]Not available.

FAS SURVEY OF RETAIL FOOD PRICES IN SELECTED W

[In U.S. dollars per kg[1], or units as indicated, converted at current

City	Steak, sirloin, boneless	Roast, chuck, boneless	Pork chops	Roast, pork, boneless	Bacon, sliced, pkgd.	Broilers, whole	Eggs, dozen	Butter	Margarine	Cheese, Cheddar	Milk, whole liter	Oil, Cooking, liter
Bern	19.01	9.65	10.56	15.09	6.33	3.38	1.81	8.62	3.13	[4]7.78	0.81	2.23
Bonn	10.90	9.43	6.52	5.24	9.21	2.30	1.31	4.93	1.75	5.53	.60	1.82
Brasilia	3.42	3.00	3.07	4.70	6.98	1.95	.82	2.99	1.50	4.98	.28	1.16
Brussels	12.99	6.65	5.49	5.87	5.42	3.07	1.26	5.12	2.52	7.16	.61	2.05
Buenos Aires	[3]5.46	4.33	4.61	6.16	7.50	3.34	1.94	6.79	4.45	11.26	1.06	3.17
Canberra	8.19	4.70	5.32	4.83	8.20	2.25	1.10	2.32	2.19	2.39	.51	1.94
Copenhagen	18.31	7.95	9.14	9.11	8.69	3.16	1.89	3.82	2.27	[4]6.59	.61	2.57
London	12.44	5.54	4.95	3.60	6.80	2.19	1.47	3.35	2.02	4.37	.58	1.94
Madrid	9.54	6.40	4.74	7.46	6.21	1.91	.91	7.54	3.91	[4]8.18	.51	1.48
Mexico	3.97	3.90	3.52	4.35	3.76	1.97	.73	3.67	1.96	7.83	.29	1.10
Ottawa	6.75	3.93	4.25	3.58	3.32	1.98	.89	2.85	2.45	4.62	.53	1.76
Paris	9.36	4.89	5.92	6.82	10.38	3.88	1.97	4.89	2.35	6.69	.55	1.98
Pretoria	4.61	2.72	3.82	4.40	4.55	1.89	.68	2.65	1.90	3.23	.47	1.69
Rome	10.40	9.79	5.88	6.60	2.80	(2)	1.29	4.64	2.02	[4]5.80	.56	1.09
Stockholm	15.08	8.46	6.92	13.24	9.05	4.26	1.99	3.66	2.88	6.49	.51	5.60
The Hague	12.15	6.99	6.55	7.24	11.25	2.31	1.10	4.50	1.62	[4]9.45	.52	1.39
Tokyo	30.61	21.55	8.70	8.57	8.65	3.01	1.09	6.02	2.44	5.03	.96	1.95
Wash. D.C.	7.47	4.23	4.89	[3]3.44	2.76	1.32	.93	4.21	2.03	5.42	.63	2.00
Median	9.97	5.97	5.40	6.01	6.56	2.27	1.18	4.35	2.14	6.01	.55	1.94

[1] kilogram=2.2046 pounds; [1] liter=1.0567 quart. [2]Not available. [3]Bone-in. [4]Emmenthaler (Swiss).

ES IN SELECTED COUNTRIES[1]

Index: =100	Percent Prev. mo.	change Three mo.	from One year
241.6	+6.1	+25.8	+174.9
252.1	+1.9	+ 4.9	+ 16.0
173.7	+ .6	+ .1	+ .3
204.1	+3.6	+ 9.1	+ 48.6
242.7	+1.7	+ 2.7	+ 9.2
240.1	+ .7	+ 1.4	+ 8.7
233.1	+ .6	+ 2.0	+ 8.6
148.9	+ .3	+ .8	+ .9
306.7	+ .9	+ 2.0	+ 12.9
223.3	+1.8	+ 1.2	+ 3.4
369.0	+1.2	+ 3.8	+ 15.4
165.0	+ .1	- .5	+ 1.5
(2)	(2)	(2)	(2)
224.4	+ .3	+ 2.1	+ 5.3
357.3	+ .5	+ 4.3	+ 12.1
205.1	+ .7	+ 1.8	+ 10.3
153.9	+1.1	+ 2.0	+ 2.8
327.6	+1.4	+ 2.6	+ 8.9

prices were up 2.7 percent to a record high; however, prices for cheaper cuts were down 1 percent. Strong demand, both domestic and export, resulted in fresh pork price increases of 3.8-5.5 percent.

In Brasilia and Buenos Aires, the prices of red meat also was up, reflecting a seasonal reduction in supply and, in the case of Buenos Aires, the beginning of herd rebuilding.

Broiler prices in Brasilia and Buenos Aires are following those of beef in an upward climb of 38 and 58 percent, respectively.

Beef prices in Canberra continued to rise during the past month, mainly because of short supplies of well-finished cattle for the domestic market. However, pork prices remained fairly stable, primarily because of increased farrowings and somewhat larger consignments to markets.

Produce. European produce prices were down reflecting a seasonal increase in supply. Ample domestic supplies in Brussels caused retail tomato and onion prices to drop 20 and 17 percent, respectively. In general, fresh vegetables were a good buy in the European capitals surveyed as prices dropped in response to the peak of the produce season.

In Canberra, apple prices rose slightly in response to lower supplies as apples reached the end of their storage life. Similarly, as the end of the naval orange season approached, only light supplies of valencias were on the market, pushing prices upward.

Orange prices in Pretoria rose 37 percent because supplies for the domestic market are short because of higher export levels. In Tokyo, imported oranges were a much better buy than the domestic Mikan (tangerine) oranges, which are of hothouse variety and cost almost 50 percent more than imported oranges.

Dairy. Effective August 24, the price of milk to consumers in Brasilia was raised the equivalent of 2.5 cents per liter. So far this year, milk prices have increased 67 percent largely because of the increase in the price of cattle and a recent 90 percent jump in diesel oil prices.

Butter prices were up in Canada as the Canadian Dairy Commission support price to surcharge butter was raised 5 cents to a total of C$3.13 per kilogram. In Denmark, a consumer subsidy to encourage higher butter consumption resulted in a price decrease equivalent to 33 cents per kilogram. □

D WORLD CAPITALS, SEPT. 4, 1979

urrent exchange rates]

Oil, cook-ing, liter	Toma-toes	Onions, yellow	Pota-toes	Apples	Oranges	Bread, white pkgd.	Rice	Sugar	Coffee, ground roasted
2.23	1.51	1.08	0.39	1.15	145	1.93	1.15	0.63	8.45
1.82	.76	1.21	.33	.76	1.45	.77	1.30	1.01	8.20
1.16	.39	.16	.27	1.25	.25	.99	.55	.39	4.40
2.05	1.12	.68	.26	.99	1.19	1.10	1.19	1.13	9.18
3.17	3.34	.84	.62	1.23	1.20	1.27	1.34	1.00	8.31
1.94	1.06	.56	.41	.74	.68	.69	.92	.54	21.55
2.57	2.14	1.46	.65	1.21	1.70	1.85	1.84	1.79	11.59
1.94	1.22	.92	.34	.97	1.16	.87	1.22	.72	8.94
1.48	.59	.50	.36	.88	.94	.89	1.08	.65	8.01
1.10	.84	.76	.40	1.10	.44	.58	.66	.26	3.68
1.76	.98	.47	.17	1.49	1.23	.60	1.64	.50	7.70
1.98	.92	.89	.25	1.05	1.17	2.19	1.54	.82	9.22
1.69	.90	.61	.59	.62	.44	.34	1.02	.49	9.93
1.09	1.22	.61	.43	.98	.98	2.02	1.29	.92	8.23
5.60	2.54	1.71	.43	2.12	1.71	2.30	1.59	1.04	8.56
1.39	.75	.64	.22	.59	.66	.89	.84	.87	7.60
1.95	1.63	.67	1.14	2.82	2.49	1.37	1.42	1.07	13.32
2.00	1.43	.66	.33	1.43	1.32	1.43	.97	.70	8.36
1.94	1.02	.68	.37	1.07	1.18	1.04	1.17	.71	8.43

Data Qualification. *Food price indexes, which reflect food price changes in general, are obtained from official government sources. They are based on local-currency prices, and are not directly affected by exchange rate fluctuations.*

Food prices of selected commodities are obtained by U.S. Agricultural Counselors and Attaches on the first Tuesday of every other month. Local currency prices are converted to U.S. prices on the basis of exchange rates on the date of compilation. Thus, shifts in exchange rates directly affect comparisons between time periods.

The objective of the survey is to reflect the level of prices in other countries of items normally purchased by U.S. consumers. Exact comparisons are not always possible, since quality and availability vary greatly among countries. An attempt is made to maintain consistency in the items and outlets sampled, but they are not necessarily representative of those in the reporting countries.

GDR Seeks Meat Boost Via Greater Efficiency

The German Democratic Republic (GDR) is trying to revamp nearly every segment of its livestock sector in an effort to get more output from existing resources. It is studying ways to improve its major cattle breeds, upgrade its production facilities, and is reexamining its priorities, with nearly all of these efforts geared to meet the needs of the domestic market. The export market is a secondary factor.

Apparently concentrating on a policy of increasing meat outturn without greatly enlarging herd size—even to meet export demand—the GDR is trying to boost per-animal meat outturn by developing an improved type of dual-purpose Holstein-Friesian cattle. The breed is to be based in part on Holstein-Friesians imported from the United States.

In keeping with this policy, the Government has targeted its animal-number growth rates at modest levels, but it seems to be having trouble meeting even these limited objectives.

Recovering slowly from the 1976 drought—which caused an increase in livestock slaughter—the GDR's advancement was slowed by abnormally cold and snowy weather in early January, resulting in power disruptions and heavy losses of young livestock. In addition, there was a heavy animal loss from disease and other natural causes. Losses of bovines have been estimated at 4.5 percent of the country's cattle herd, sheep losses at 8 percent.

Despite these recent problems, the GDR cattle inventory was shown by the November 20, 1978, census to have grown by 19 percent since 1960 to 5.54 million head in 1978 (although cow numbers have held steady at just over 2.1 million head for 20 years) and swine numbers rose 41 percent to 11.75 million in the same period.

In 1979, total cattle inventory is expected to be slightly higher than the 1978 levels; the swine numbers are seen a little lower.

Sheep numbers declined steadily from a 1960 high of 2 million head to a 1970 low of under 1.6 million, but have increased again to just under 2 million. They may still be less than 2 million head in 1979.

Since 1960, production of beef (live weight basis) rose over 70 percent to an estimated 394,000 metric tons in 1978, and estimated pork outturn increased 67 percent to 1.0 million tons.

The GDR's new dual-purpose Holstein-Friesian breed, on which the improvement campaign depends, is a three-way breed of Holstein-Friesian (50 percent), Jersey, and old German Friesian cattle (25 percent each). The GDR plans to import several hundred purebred Holstein-Friesians from the United States during each of the next several years to improve the dual-purpose herd.

"The German Democratic Republic (GDR) is trying to revamp nearly every segment of its livestock sector . . . with nearly all of these efforts geared to . . . the needs of the domestic market."

The herd now reportedly numbers some 120,000 head and provides outputs some 20 percent better than the traditional Friesian.

The Government also is trying to improve output efficiency by consolidating its dairy operations into production units of 2,000 cattle each. At this juncture, only about 10 percent of the country's dairy cows are in such units.

Similarly, the GDR has embarked on a plan to consolidate production of fattened cattle. To reach this goal, the use of treated straw for feed is to be increased. However, the cost of fuel to produce treated straw pellets is relatively high and the 3-million-ton target may not be reached.

Ultimately, the GDR intends to have cattle-replacement rearing farms of 3,000-5,000 head each and beef fattening units of 12,000-15,000 head. It is shooting for an average slaughter weight of 415-430 kilograms.

In the swine sector, the most important breeding animal is the GDR Landrace, used either as a purebred animal, or in a three-way cross with Scandinavian and Piatrain swine.

The GDR also is trying to increase the size of its swine producing units so that pig fattening farms will have a capacity of 75,000-150,000 head. A few of these large units are already in operation.

It appears that current GDR plans call for continued emphasis on swine and beef cattle production, while at the same time increasing sheep numbers at a steady rate. Retail meat prices have remained steady since being fixed by the Government about 25 years ago, making red meat less expensive than poultry meat. Thus, unless the GDR changes its policy, it is doubtful that increases in poultry meat production will slow the rate of climb of red meat outturn as in many other countries.

Meat consumption has accelerated steadily in the GDR for many years. During the 1955-70 period, per capita consumption increased at a rate of about 1 kilogram per year. Consumption then climbed by 2 kilograms per year through 1975, and for the past several years has risen 3 kilograms per year.

Per capita consumption of all meat and meat products was reported at 84 kilograms in 1977, the last year for which official data are available. About 60 percent of this reportedly was pork, 30 percent beef, and 10 percent poultry.

Unofficial estimates—adjusted to exclude totals for mutton, rabbit, and game, normally included in the beef totals, and additives such as fat included in wurst—show that total 1979 consumption of beef and veal could amount to 373,000 tons (22.3 kilograms per capita) and of pork, 820,000 tons (48.9 kilograms per capita).

GDR consumers face periodic shortages of meat, despite the long-term rise in production. A paramount factor in the shortfalls is the allocation

system, which can favor either the domestic or export market. If the export market is receiving emphasis, not only will the overall amount of meat on the GDR domestic market often be reduced but there is likely to be a marked reduction in the available amount of top-quality product.

Since better quality cuts of meat bring in larger amounts of hard currency than lower quality cuts, top-grade meats are more likely to be exported while the less desirable cuts are reserved for the domestic market.

The GDR is both an importer and exporter of live animals and meat products, although data are sometimes difficult to find.

It is known that the GDR imports breeding stock and recently arranged to purchase 140 open Holstein-Friesian heifers and 20 Corriedale rams from the United States. All were scheduled to arrive in the summer months.

In addition, the GDR annually imports about 15,000 tons of bovine hides and 14,500 tons of wool, although the country of origin is unknown.

The GDR's exports of livestock and products in 1978 are estimated to have included 150,000 cattle, 500,000 swine, 300,000 lambs, and 5,000 horses for slaughter. In addition, the GDR exported an estimated 150,000 tons of pork and 20,000 tons of beef and veal that year.

One of the GDR's most important export markets is West Berlin, which increasingly depends on the GDR for a substantial share of its food needs. In 1975, for example, the GDR reportedly supplied 135,387 slaughter animals to that zone.

In 1978, West Germany (including West Berlin) imported from the GDR for slaughter 75,386 cattle, 2,025 calves, 188,169 live swine, and 188,104 unclassified bovines. Meat imports included 10,005 tons of poultry meat and significant amounts of pork, plus a sizable volume of miscellaneous game.

France also is a substantial market for GDR swine and pork. In 1978, this trade included 183,000 slaughter swine and 24,000 tons of swine halves. European Community actions toward the end of 1978 to increase supplementary levies on pigs and pork from the GDR undoubtedly reduced this flow.

It also is probable Italy represents a substantial market for the GDR. Less clear is the volume of GDR exports to 40 other East European nations.—*Based on report by Roger S. Lowen, U.S. Agricultural Attache, Berlin.* □

U.S. Farm Exports To Climb in 1980, Now Seen at $35-$40 Billion

U.S. agricultural exports are expected to rise in fiscal 1980 to $35-$40 billion, compared with $32 billion anticipated in fiscal 1979. With imports of $16-$19 billion, the agricultural trade surplus could increase about a fourth to $20 billion.

The export volume of major bulk commodities may jump to over 145 million metric tons, up from an estimated 128 million in fiscal 1979. Feedgrain shipments are expected to increase by about 10 million tons and wheat shipments by nearly 6 million. Small gains are forecast for soybeans and rice. Tobacco, cotton, and vegetable oil exports may decline.

Although 1979/80 exports cannot yet be forecast precisely, reasons for the projected strong increase include:

- The expected substantial increase in purchase of grains by the Soviet Union because of the forecast drop of around 50 million tons in its 1979 grain production.
- Continued growth in livestock production in major U.S. markets—1-2 percent in 1980.
- Continued economic expansion in the fast-growing developing countries despite the petroleum price increase.
- Relatively little growth in agricultural production in the poorer developing countries.
- Logistic problems in major competitor countries that are likely to limit the increase in their exports in 1979/80.
- Reduced exportable supplies of coarse grains of major competitors.

The current strong export outlook, of course, could be dampened by factors difficult to foresee at this early date. For example, transportation capacity here and abroad will be a crucial factor in achieving the record export volume of grains and oilseeds projected in fiscal 1980. Export of almost 150 million tons of agricultural produce could put a strain on the U.S. internal transportation system and U.S. port facilities. In particular, unusually severe winter weather could reduce U.S. export capacity.

Finally, the outcome of fiscal 1980 exports will depend largely on weather at home and abroad during the next 12 months. At this point, U.S. crops are in excellent condition, and export supplies appear plentiful. The U.S.-USSR grain agreement was expanded early to allow 8 million tons of wheat to be shipped in fiscal 1980. Increased corn availability will be discussed with the Soviets in October, under the normal procedure of the agreement. □

U.S. agricultural trade balance, 1971/72-1978/79[1]

	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79[2]
Item	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.
Exports . . .	8.24	14.98	21.61	21.85	22.76	24.00	27.30	32.0
Imports . . .	5.94	7.74	10.06	9.47	10.51	13.38	13.89	16.3
Trade Balance . .	2.30	7.24	11.55	12.38	12.25	10.62	13.42	15.7
	Mil.MT	Mil.MT	Mil.MT	Mil.MT	Mil.MT	Mil.MT	Mil.MT	Mil.MT
Export Volume . . .	60.7	99.7	93.4	87.2	106.7	102.2	121.7	127.9

[1] Year Beginning October 1. [2] Forecast.

$2.1-Billion Record

U.S. Tobacco Exports

By James C. Richardson

Exports of U.S. tobacco in 1978 reached a record $2.1 billion, with value of unmanufactured products up 24 percent and manufactured items up 20 percent over 1977 levels.

Import value was $478 million, leaving a strong net contribution of about $1.7 billion to the U.S. balance of trade.

U.S. export volume of unmanufactured tobacco surged ahead during 1978 to a record 317,131 tons from 1977's 285,131 tons.

The United States produced an excellent tobacco crop in 1978, and foreign buyers sought to replenish their stocks with high-quality U.S. leaf that was available at a reasonable price.

Exporters calculated that the 1979 crop would be higher priced as a result of the U.S. support program and conditions that pointed toward a bottoming out of dollar exchange rates.

The increased demand for U.S. leaf in 1978 was also strengthened by the increasing worldwide popularity of American-blend cigarettes.

U.S. cigarette exports surged 11 percent over the 1977 figure with a total value of $750 million. Many countries, such as Spain, Bulgaria, the Soviet Union, and China, have entered into licensing agreements with U.S. firms to produce American-blend cigarettes.

The U.S. captured 22.7 percent of the 1978 world leaf trade, but this figure is well below the 27 percent market share held in 1960. Likewise, U.S. flue-cured tobacco exports have declined from 58 percent of world exports in 1960 to an estimated 35 percent of world exports in 1978.

Over the same period, Brazil, South Korea, Malawi, and other countries relatively new to tobacco production have expanded output and garnered larger shares of the world market. Brazil was able to increase its share of world trade marginally to 8.5 percent in 1978. Likewise, Italy expanded tobacco exports, but its share of world trade held at the 1977 level.

The long-term downward trend in the U.S. share is mainly a result of rising U.S. flue-cured export prices, which result in part from fluctuations in exchange rates. However, as prices and production costs rise, major leaf importers continue to seek cheaper sources of supply.

The past decade has brought many structural changes to the world tobacco industry. Exporters had come to grips with a changing set of trade barriers when the European Community (EC) was enlarged to include the United Kingdom, Ireland, and Denmark.

The final outcome of the Multilateral Trade Negotiations (MTN) is expected to have a favorable impact on U.S. tobacco trade. The United States has received significant tariff reductions on unmanufactured tobacco from the EC, Australia, New Zealand, and Finland, which should help the United States maintain its share of world trade.

The importance of the concessions is reflected in 1978 U.S. tobacco exports to these destinations—$666 million or 85 percent of U.S. exports to countries where tariffs are considered to have an impact on trade.

In addition, tobacco exporters have had to face a new international monetary regime. In March 1973, fol-

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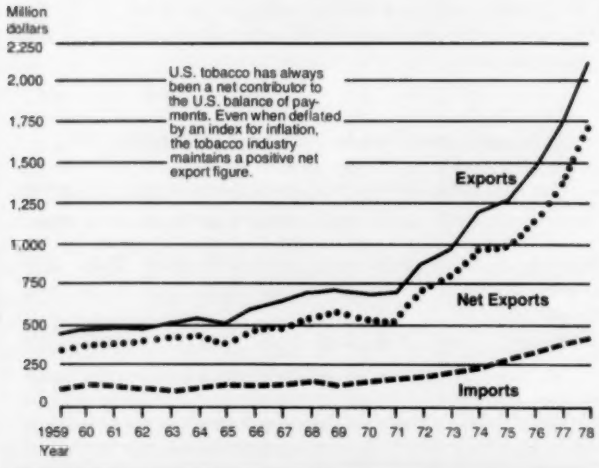
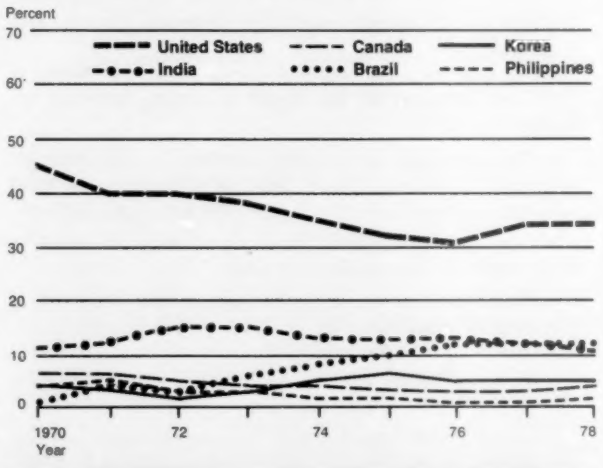
U.S. Tobacco Trade By Value, Calendar 1959-78


Million dollars
2,250
2,000
1,750
1,500
1,250
1,000
750
500
250
0
U.S. tobacco has always been a net contributor to the U.S. balance of payments. Even when deflated by an index for inflation, the tobacco industry maintains a positive net export figure.
Exports
Net Exports
Imports
1959 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78
Year

World Flue-Cured Exports by Market Share for Specified Countries, 1970-78



lowing the collapse of the Bretton Woods agreement, the world entered a period of flexible exchange rates. The weakened U.S. dollar in recent years has helped U.S. tobacco exports.

The smoking-and-health issue and related legislations have added to existing uncertainty. New technology and the desire for low tar and nicotine leaf may be contribuing to a gradual shift away from high-quality U.S. leaf.

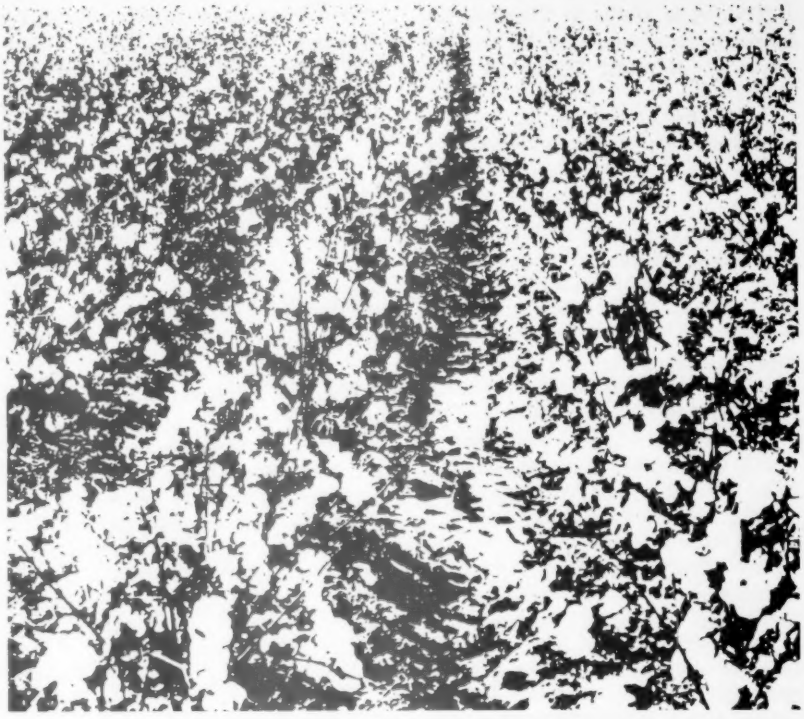
Although total world tobacco consumption has slowed from the pace of the 1960's, no dramatic downturn is in sight. Consumption is expected to increase through 1980, with usage in the industrialized countries continuing to level off while higher incomes in the oil-exporting countries boost total world use, and cigarette consumption in the developing countries continues to expand.

World utilization of tobacco in 1979 is forecast at about 5 million tons, and in 1980 at about 5.2 million tons. World production (dry weight) also remains on an upward trend, with output in 1979 forecast at 5 million tons and in 1980 at more than 5.17 million tons.

However, there are some imponderable factors in the long-range outlook:

- Will China—a vast potential market—become a significant importer or exporter of tobacco? Although there are other programs of higher precedence in the country's planning queue, the order of programs could be rearranged. A current program encourages specialization of crops in the most suitable geographic areas. Hunan Province, for example, has many of the requisites for tobacco production.
- Will demand for blended cigarettes in the Soviet Union and other East European countries be permitted to expand?
- If so, will the necessary leaf be imported or grown domestically? Will a political settlement in Zimbabwe-Rhodesia lead to a lifting of trade sanctions and a return of that country to its former position as a major tobacco exporter?
- What impact will the health issue and taxes have on tobacco consumption? Many countries have laws designed to limit use of tobacco products. However, in Finland, where tobacco advertising was banned and prices increased a year ago, consumption has continued to increase at the same modest rate of past years. □

Export Prospects For U.S. Cotton in Four European Markets



A U.S. Cotton Trade Team[1] met recently with textile officials in France, the United Kingdom, Romania, and Hungary to explore trade opportunities. This was part of ongoing U.S. efforts to maintain and promote U.S. cotton sales worldwide, although 80 percent of U.S. cotton exports now move to Asian countries.

The four European countries visited by the U.S. team represent a cotton market of about 2.4 million bales (480 lb net) annually, with the U.S. market share amounting to about 7 percent.

The cotton spinning industries in these countries are currently operating at favorable levels. In France and the United Kingdom, prospects for increased cotton consumption are good because of stronger consumer demand for natural fibers and because of the extreme uncertainty—particularly in France—regarding the future price and availability of synthetic fibers that compete with cotton.

The spinning industries in Romania and Hungary are very labor intensive, unlike those in France and the United Kingdom where there is a continuing thrust to reduce high labor costs through modernization of machinery and consolidation of small firms into large vertically integrated ones.

[1] *The U.S. group included Team Leader W. D. Lawson, III of W. D. Lawson & Co., Gastonia, N.C., and Robert G. Gardner, Sr. of Gardner & Co., Memphis, both representing the American Cotton Shippers Association; Richard M. Tipton of STAPLCOTN, Greenwood, Miss., for AMCOT; cotton farmer Wesley K. Wannamaker, St. Matthews, S.C., of the National Cotton Council's Producer Steering Committee; Paul S. Lewis of Cotton Council International, Brussels; and Harold Rabinowitz, FAS-USDA, Washington, D.C. The team visited the four countries May 18-June 2, 1979.*

France and the United Kingdom buy cotton from many sources while Romania and Hungary in Eastern Europe get the bulk of their cotton from the USSR, a traditional supplier.

However, the trade door to the East has been opened slightly with the granting of "most favored nation" (MFN) trade status to Romania and Hungary. Since gaining MFN status from the United States in 1975, Romania's total trade with this country has risen rapidly and a similar pattern is likely with Hungary, which gained MFN status in late 1978.

France. There has been a significant cutback in the number of French textile enterprises—from 6,216 in 1965 to about 3,300 today—with most of these reductions being achieved by mergers into huge integrated firms dominating the industry. In this period, French textile production has risen 3.5 percent annually while the number of textile workers has decreased at a rate of 2.5 percent a year. Manmade fibers have accounted for all of the production growth.

France's cotton spinning industry is comprised of about 2.6 million spindles, some 35 percent less than the number in 1967. However, this reduction has been partially offset by the installation of some 62,000 open-end rotors. As a result, total yarn output of 230,000 tons in 1977 was only 11 percent lower than that of 1967.

Raw cotton consumption in France is expected to show a modest recovery in 1978/79 to 875,000 bales up from 828,000 bales a year earlier. Nevertheless, this is considerably below the annual level of more than 1 million bales that existed until 1974. France's total cotton imports in 1978/79 are estimated at 1,055,000 bales, up from 979,000 bales imported in 1977/78 as French merchants and mills continue to take advantage of the declining U.S. dollar to rebuild stocks.

The USSR—averaging 37 percent of the market over the past 5 years—is the largest supplier. During the same period, the U.S. share has averaged 7 percent, but in 1977 it reached 10 percent—good enough for second spot. French merchants buy cotton from more than 50 countries, and they are price conscious. They said U.S. cotton, with the exception of California's San Joaquin Valley, had been very competitively priced during the past year and that their purchases of U.S. cotton would increase if this situation continues.

French spinners, aware of the activities of the International Institute for Cotton (IIC) in France, suggested that much more be done to promote domestic cotton consumption vis-a-vis manmade fiber. In this regard, some spinners also expressed a willingness to work with Cotton Council International (CCI) in promoting 100-percent cotton products made with U.S. cotton.

United Kingdom. British textile production is controlled by a few large firms even though the number of enterprises exceeds 3,000. In the 5 years prior to 1977, the country's spindleage declined 13.6 percent to 2.41 million as employment and yarn production fell 19.2 percent and 14.9 percent, respectively.

The United Kingdom's cotton imports for 1978/79 are estimated at 482,000 bales while consumption is estimated at 450,000 bales, which at this level would indicate slowing of the steady decline in consumption. Raw cotton imports from the United States reached around 77,000 bales in 1978/79 as the U.S. market share registered a gain of about one-third above the 1977/78 share. Currently, the United States is the third largest cotton supplier, ranking closely behind Turkey. The Soviet Union is the top supplier.

Despite the strong hold that the British producers of manmade fibers have on the textile industry, there are indications that some independent spinners are reducing the levels of manmade fibers in blends. Or, they are going completely to 100-percent cotton because of the uncertainty over future price and availability of manmade fibers and increased consumer demand for cotton fabrics. This development, combined with the reported possible reduction of the 1979/80 cotton crop in Turkey, could boost U.S. cotton exports to the United Kingdom in the current season.

In Manchester, the team visited the IIC cotton research center. Also, CCI carries out trade servicing activities, which include bringing textile decision-makers to the United States every 2 years on the Orientation Program and sponsoring regular U.S. trade team contacts with the United Kingdom.

Romania. The country's cotton consumption remains fairly stable at around 500,000-550,000 bales. Since Romania produces only 10,000-15,000 bales, most of the annual requirements are imported. Extra long staple from Egypt, Sudan, and Peru accounts for about 20 percent of total consumption with the rest being upland varieties. The Soviet Union supplies more than one-third of Romania's raw cotton needs.

Romanian cotton purchases from any single country are partially determined by the trade balance with that particular country. Credit terms and the availability of hard currency strongly influence the amount of U.S. cotton that Romania imports. Given the current credit situation, Romanian officials estimated that the country will continue to buy about 50,000 bales of U.S. cotton a year.

In 1978/79, these purchases have been mostly from the Memphis territory and the San Joaquin Valley.

CCI's market development activities in Romania have focused on improving trade relations by sponsoring U.S. cotton trade team visits, bringing Romanian buyers to the United States in the Cotton Orientation Program, and through distribution of information materials on U.S. cotton.

Hungary. Consumption of manmade fibers has increased rapidly and now accounts for about 50 percent of total fiber consumption. Most future consumption growth is expected to be taken by manmade fibers.

Hungary must import all of its raw cotton requirements of about 350,000-365,000 bales annually, with the USSR supplying around 60-65 percent of these imports. The rest comes from Turkey, Egypt, Sudan, Iran, and Greece, and occasionally from Africa and South America.

In January 1979, Hungary made its first purchase of 23,000 bales of U.S. cotton under the recently enacted MFN trade status with the United States. There is some interest in substituting California San Joaquin cotton for Sudanese growth.

With this partial opening of the Hungarian market, there is a good opportunity for CCI and other U.S. cotton organizations to foster long-term trade relations with Hungary. To this end, key Hungarian officials have shown a willingness to participate in the U.S. Cotton Orientation Program and to host U.S. cotton delegations. □

FACT FILE

P.L 480 A Backgrounder on Food for Peace

Public Law 480

The Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) has been since its approval July 10, 1954, the basic foreign food aid instrument of the U.S. Department of Agriculture. In 25 years some $30 billion worth of U.S. farm products have been programed to more than 70 countries. Included were wheat and wheat products valued at $13 billion, rice valued at $3 billion, corn at $1.1 billion, and other grains at $1.5 billion. Also moving through P.L. 480 during the history of the program were dairy products totaling $2 billion, and cotton valued at $2.6 billion. In this decade annual programs have averaged around $1.2 billion, with Title I (sales programs) predominanting over Title II (donation programs) in a ratio of about three to two. Title III (food for development) is an extension of Title I. Public Law 480 is administered by the Office of the General Sales Manager (OGSM).

Title I provides for U.S. Government financing of sales of U.S. agricultural commodities to friendly countries. Sales are made by private businessmen, usually on a bid basis in response to tenders (also known as invitations for bids—IFB's) issued by the importing country. Agreements may provide for one of the two methods of long-term credit financing: Sales for dollars, or sales for foreign currencies convertible to dollars.

Title II is the donation program of P.L. 480. It authorizes donations of food for alleviating famine and for other urgent or extraordinary relief; for combating malnutrition especially in children; for providing economic and community development in friendly developing areas; and for assisting needy persons and nonprofit school lunch and preschool feeding programs abroad. It provides for government-to-government donations, donations through international agencies, and donations through U.S. voluntary agencies.

Title III, added to P.L. 480 in 1977 and known as Food for Development, emphasizes use of P.L. 480 for economic development. Title III programs encourage agricultural development in countries meeting the International Development Association's criterion for development loans—currently those with gross national per capita product of $625, or less. Basically Title III can be used to turn a Title I loan into a grant. When countries with approved development proposals use proceeds from domestic sales of Title I commodities (or the comodities themselves) for approved projects, the dollar equivalent of the Title I loan is forgiven.

Title I—Sales Programs

Negotiation of Agreements. Agreements are negotiated with foreign governments through diplomatic channels. In most cases, they are conducted overseas by U.S. Embassy officials under the direction of the U.S. Ambassador. Governments of friendly countries that usually export commodities included in the agreement are consulted to insure that Title I sales do not disrupt normal free world commercial trade.

Kinds of commodities. The Secretary of Agriculture determines the kind and quantity of commodities available for inclusion in agreements. Specific programs are developed in consultation with several agencies and departments of the Federal Government, including the Departments of State, Treasury, and Commerce, the Agency for International Development, and the Office of Management and Budget.

Eligibility of Commodity Suppliers. U.S. commodity suppliers interested in making export sales of commodities under Title I are required to submit information including: (a) A current financial statement (b) A background statement with particular reference to export experience, responsibility, and the ability to perform the obligations imposed by P.L. 480 regulations, and (c) names and addresses of chief executive officers of the companies involved including affiliates, branches, and associated firms.

Maintaining normal marketing. An agreement may impose requirements to maintain normal imports of agricultural commodities from commercial sources in the United States and other free world countries. These are called "usual marketing requirements" (UMR's). They are required when applicable in order to insure that Title I sales will not unduly disrupt world

agriculture commodity prices and normal patterns of commercial trade with friendly countries or with the United States. Agreements always prohibit resale or transshipment of Title I commodities and may prohibit or limit the export of similar commodities in order to insure that Title I commodities are not used to increase the commercial exports of the recipient country.

Purchasing Procedures. After an agreement has been signed, the importing country applies to OGSM for a purchase authorization (PA). A PA is usually issued for only a part of the total amount of one of the commodities in the agreement; thus, several successive PA's may be issued under a single agreement. The PA includes such details as the particular grade or type of commodity to be purchased, the approximate quantity of the commodity and the maximum dollar amount authorized, the period during which contracts may be entered into, and the time span during which deliveries must be made. The conditions under which financing will be made available for the commodity sales and any authorized ocean transportation costs are also outlined in the PA. Normally, the earliest date that contracts may be entered into is 7 days after the date the PA is issued.

Payment to Suppliers. U.S. commodity suppliers usually are paid promptly in dollars under letters of credit issued through the commercial banking system. The Commodity Credit Corporation (CCC), a U.S. Government agency within the Department of Agriculture, reimburses U.S. banks for payments made under the Title I regulations. Most agreements provide for payment by the importing government, upon delivery, of at least 5 percent of the purchase price. This payment is made to the U.S. commodity supplier through the U.S. commercial bank handling the letter of credit. The percentage of the purchase price to be financed by CCC will be stated in the purchase authorization if it is less than 100 percent.

Methods of Financing. The purchase authorization will provide for financing of commodities either by the letter of commitment method or by the reimbursement method: (a) Under the reimbursement method of financing, the importing country itself guarantees immediate payment to the supplier out of its own dollar resources. The country then applies directly to CCC for reimbursement of its dollar expenditures. (b) Under the letter of commitment method, which is more commonly used, the importing country requests that CCC issue the letter of commitment to the U.S. bank selected by the importing country promptly after the purchase authorization is signed. CCC thereby guarantees to repay the U.S. bank, through a named Federal Reserve Bank, in dollars for eligible payments the U.S. bank makes to commodity suppliers against proper documents under letters of credit.

U.S. flag requirement. At least 50 percent of the gross tonnage of commodities bought under Title I, P.L. 480, must be shipped on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates. If ocean transportation is required to a country where there is no U.S. flag vessel service, a foreign flag vessel will be used at its prevailing rate. For all Title I sales agreements, CCC financing of ocean freight is limited to payment of the ocean freight differential, when U.S. flag vessels must be used.

Arranging transportation. Arrangement for ocean transportation of commodities bought under Title I purchase authorizations is made either directly by officials of the importing government or by their appointed agents. The pertinent terms of all proposed charters or liner bookings, regardless of whether any portion of ocean freight is financed by CCC, are sent to the appropriate USDA office for review and approval prior to contracting of the vessels.

Further information. The U.S. Department of Agriculture issues press releases when agreements are signed and purchase authorizations are issued. Persons who wish to receive P.L. 480 press releases, which automatically cover all commodities, should write to the General Sales Manager, U.S. Department of Agriculture, Washington, D.C. 20250. U.S. firms or individuals who wish to receive copies of purchase authorizations should write to the Program Operations Division, Office of the General Sales Manager, U.S. Department of Agriculture, Washington, D.C. 20250, or telephone (202) 447-5780.

Title II—Foreign Donations

Voluntary agencies. The voluntary agencies distribute the largest portion of Title II commodities, typically around 70 percent. These include Cooperative for American Relief Everywhere (CARE), Catholic Relief Services, Inc. (CRS), Church World Service (CWS), Lutheran World Relief (LWR), American Joint Distribution Committee (ADJC), and the Seventh Day Adventist Welfare Service (SAWS). This food assistance is distributed through child centers, school feeding programs, maternal child health center, and food for work projects.

World Food Program (WFP). Another program sponsor is the World Food Program, established in 1963 by the United Nations and the Food and Agriculture Organization (FAO) with strong U.S. encouragement. The program provides food to developing countries for economic and social development projects and for emergencies. Special emphasis is given to projects related to maternal health, preschool child feeding, and labor intensive and rural development projects, usually in the least developed countries and countries most severely affected by rising raw material prices.

Food Aid Convention. The Food Aid Convention of the International Wheat Agreement obligates signatories, of which the Unites States is one, to provide minimum annual amounts of food aid in wheat or coarse grains for human consumption. The Convention, which was initiated in 1968, was extended in 1976, in 1978, and again in 1979. About half of the U.S. obligation is met through Title II and the other half through Title I.

USSR

January-June Farm Output Falls Short of Target

Soviet agricultural performance in first-half 1979 fell significantly short of official expectations. Although livestock inventories were at record levels, growth in many categories was slower than in the first 6 months of 1978.

Meat production in the socialized and industrial sectors remained essentially unchanged from the levels of first-half 1978 activity as higher poultry output offset decreases in other meats. Egg output was higher than in the year-earlier period, but dairy production was lower.

According to preliminary Soviet data, total USSR crop area (winter and spring) this year totaled 217.1 million hectares, compared with the year-earlier preliminary estimate of 217.9 million hectares and the final 1978 report of 218.2 million hectares.

Contrary to their normal practice, the Soviets issued no preliminary estimates of area planted to grains, although the midyear report stated that rice, barley, cotton, sunflower, and soybean areas were larger this year than last.

The 1979 preliminary crop area of 217.1 million hectares is about 800,000 smaller than the average area seeded during 1975-78.

Despite the record livestock numbers (except sheep and goats), the rate of increase during the first-half 1979 was slower than in the comparable 1978 period, especially for hogs and poultry.

Based on monthly changes in livestock inventories during June 1979 compared with the same month in the previous 6 years, slaughter levels for cattle, cows, hogs, sheep, and goats were normal. Poultry numbers in June 1979 had not increased to the preceding year's extent—probably an indication of increased slaughter.

Total industrial output of meat in first-half 1979 was up 1 percent and sausage up 2 percent from year-earlier levels. Production of whole milk and products was unchanged, while butter output dropped 4 percent from the first-half 1978 level.

The overall disappointing results in the livestock sector during the first half of this year probably were caused by several factors, including:

- Lower quality of feed produced in 1978.
- Adverse effects of extremely cold winter weather on livestock productivity.
- Delayed growth of pasture grasses and forage crops because of cold, wet spring weather.

Based on the current situation, it is expected that numbers of hogs, poultry, sheep, and goats will show a decline on January 1, 1980,

Top left: Flock of sheep on Ivolginsky State Farm in the steppes of Buryat ASSR. Bottom: Cattle herd on the Kuybeyshev Collective Farm in Kirghiz SSR.

while cattle and cow numbers may increase. The situation regarding cattle numbers is open to question, however, depending upon the outcome of the 1979 forage crop.

Meat output in 1979 is expected to be higher than the 15.2 million tons (slaughter weight) produced in 1978 but well below the 16.6 million tons planned—unless a sharply reduced grain crop and lower-than-anticipated imports result in significantly higher slaughter later this year.

Mineral fertilizer production in gross units during first-half 1979 reached 47.4 million tons down 6 percent from output in the corresponding 1978 period. To meet this year's production plan of 111 million tons, an average of 31.8 million tons must be produced in each of the next two quarters—a remote prospect. Deliveries of mineral fertilizer to agriculture during the first 6 months of 1979 were down 7 percent to about the level of deliveries during January-June 1977. Deliveries of feed additives to agriculture dropped by 8 percent from the year-earlier level.

Deliveries of farm trucks and grain combines to Soviet agriculture were up 3 and 4 percent, respectively, from first-half 1978 figures, but deliveries of other agricultural machinery were below year-earlier levels.

Capital investment in the Soviet agricultural sector remained at about the same level as in first-half 1978. Slower progress was made, however, in land-development projects and in the construction and expansion of new facilities to house livestock and poultry.

—By *Angel O. Byrne, International Economics Division; Economics, Statistics, and Cooperatives Service.*

Romania

Eyes Holsteins in Bid To Up Milk Output

Although milk production has always been of secondary importance in Romania's dairy/beef industries, increasing interest is being shown in North American Holstein breeding as milk comes in for a larger share of attention. Only semen has been imported thus far, as imports of live cattle are restricted.

Simmental cattle are the leading breeding in Romania's dual-purpose dairy/beef industries, followed by Romanian Browns and Friesians.

In concentrating on these breeds, Romanian producers strive to raise good calves for the country's baby beef program, and consequently milk production per cow has been viewed as less important than meatier calves.

Calves are individually penned shortly after birth and fed on milk replacers until ready for dry feed. After 18 days of age, male calves are moved into the baby-beef program and the females into the herd replacement program. Commercial slaughter of veal calves is not permitted in Romania.

Beef and buffalo cows in Romania's expanding cattle herd are expected to produce about 4,780 million liters of fluid milk in calendar 1979, nearly 10 percent more than in 1978.

Cheese production takes precedence over butter output in Romania, and is forecast to reach 125,000 tons this year, compared with 123,000 tons in 1978.

Cheese exports—mainly to Western Europe, where some is re-exported; the United States; and Australia—are expected to climb to 15,000 tons this year from 1978's 11,000 tons. Some Pecorino (hard) cheese is exported directly to the United States. Butter production is forecast at 47,000 tons this year compared with 44,000 tons in 1978, and exports—mostly to neighboring East European countries—are projected at about the same or slightly higher level than 1978's 20,000 tons.

Romania imports some powdered milk from China, Hungary, Ireland, and West Germany. □

Belgium

Ghent's Grain, Soybean Processing and Storage Facilities Expand

Grain and soybean processing and storage facilities at the Belgian Port of Ghent are being expanded at a steady pace, reports Frank A. Padovano, former U.S. Agricultural Attache, Brussels.

Ceremonies were held on June 22 opening the Ghent Grain Terminal (GGT). Major investors in the terminal are Continental Grain and the Furness Shipping and Agency Company. Minor investors are Graan Elevatoren Maatschappij of Rotterdam and Boerenbond (Belgian Farmers Association). The facility has a storage capacity of 62,000 tons.

An 86,000-ton grain elevator belonging to Eurosilo, although temporarily crippled because of an explosion, will be expanded by 40,000 tons in the near future by the addition of flat storage facilities. Operations at the Eurosilo facility have been minimal for several months because of the blast.

Upon completion of the Eurosilo expansion, it and the GGT facilities will boost storage capacity at the port by 102,000 tons, or 119 percent of the existing total. The enlarged port facilities are expected to compete more seriously with those at Rotterdam, rather than those at Antwerp. The Ghent port area provides space for expansion, which gives it a clear advantage over Rotterdam.

Ghent also provides another plus in that 70-75 percent of Belgium's compound feed industry is located within 25 miles of the port. These compounders supply Belgium and northern France.

Also, Vamo Mills is constructing a soybean crushing plant with a capacity of 600,000 tons relatively near the port. This addition to the port's facilities is expected to become operational during the latter months of calendar 1980. GGT officials indicated that this soybean crushing plant will be largely serviced by their Ghent terminal facilities.

The Port of Ghent is connected to the North Sea by the 55-kilometer long Ghent-Terneuzen (Netherlands) Canal which is limited to ships up to 70,000 tons. □

Jamaica

Canadians, Europeans Expand Market Shares

Jamaica's agricultural import patterns—particularly for wheat, wheat flour, and rice—are shifting. Jamaican officials are looking to Canadian and European credit sources to supplement imports of P.L. 480 commodities from the United States, and are discussing the possibility of importing agricultural machinery from the USSR.

U.S. sales to Jamaica of wheat, wheat flour, and rice have declined significantly during 1972-79. The Jamaican Government recently signed a 3-year agreement with Canadian suppliers for 150,000-250,000 tons of wheat and/or wheat flour during 1979-81 on credit terms comparable to those offered by the U.S. Commodity Credit Corporation (CCC).

According to Jamaican officials, the Canadian credit terms call for 10 percent down with the balance, divided into equal installments, to be paid over 3 years. Interest rates will be tied to prevailing world money market rates at the time of purchase.

The U.S. share of the Jamaican wheat market has declined from 54,640 tons in 1976 to an estimated 14,780 tons for both 1978 and 1979, while the Canadian share has expanded from 151 tons in 1975 to an estimated 75,220 tons for 1979.

With the recent expansion of Jamaica's single flour mill, it appears unlikely that further imports of baking flour will be required through 1980. In 1974, more than two-thirds of Jamaica's flour imports of 33,531 tons came from the United States, but the U.S. sales declined as mill capacity expanded, and in 1977 amounted to only 8,021 tons of the 13,194-ton market.

On the other hand, the Jamaican counter flour market—long controlled by West Germany—appears to offer U.S. flour exporters an opportunity to offset their declining sales in the baking-flour sector of the Jamaican flour market.

(For the Jamaican market, counter flour is usually milled from Soft Red winter wheats, Soft Spring wheats, or combinations of these grains. It is popular among consumers in both rural and urban areas for preparing such items as dumplings, fried pastries, and gravies.)

U.S. commercial rice sales to Jamaica for 1979 are forecast at the 1978 level of 4,000 tons, up marginally from 1977's 3,270 tons but below the 1972-76 annual average. The decline evidently is a result of relatively high U.S. rice prices and a lack of U.S. commercial credit in Jamaica.

Jamaica's imports of corn—all from the United States and the country's leading agricultural import—continue to expand. Corn imports in 1978 were 198,300 tons, 57,000 tons of which were shipped under P.L. 480, and imports during 1979 are projected at 208,000 tons, of which P.L. 480 shipments are expected to account for about 95,000 tons.

The United States continues to hold strong market position in Jamaica for sales of soybeans, soybean meal and oil, corn oil, and cottonseed oil. However, future U.S. sales of soybeans and soybean products to Jamaica could be adversely affected by attractive offers of credit from other soybean producing countries. Sales of U.S. cottonseed oil are gradually being replaced by soybean oil.

The recent announcement by the Jamaican Government that it may enter into some type of trade arrangement with the Soviet Union is expected to involve possible imports of Soviet agricultural machinery. □

By Robert R. Anlauf, U.S. Agricultural Attache for Jamaica.

Hungary

Reduced Farm Prospects for 1979

Prospects for Hungarian agriculture in 1979 are mixed, with early results in the grain sector suggesting that output will be below earlier plans, according to Nicholas M. Thuroczy, U.S. Agricultural Attache for Hungary.

In part because agricultural output in 1978 was below target, the Hungarian Government had planned for a 3.5 percent increase in overall agricultural production in 1979—crops at 5 percent and livestock at 2 percent. Such increases, had they been achieved, would have kept agricultural expansion in line with the country's overall goals under the current 5-year plan, which extends through 1980.

Grain production in 1979 was targeted for 13.6 million metric tons, but because of adverse weather is forecast at about 12 million tons, well below the 13.3-million-ton record set in 1978.

The wheat crop, which was particularly hard hit by spring freezes and later by dry conditions, is expected to total only about 4 million tons, compared with 1978's

A modern livestock enterprise in Hungary.

5.6 million tons.

On the other hand, Hungary has a good chance of approximating the targeted corn outturn of 7.1 million tons. Area in corn and barley are both larger this year than last because of spring replantings on plowed-under winter wheat areas.

A total grain crop of around 12 million tons would preclude wheat exports and permit only limited corn exports.

The 2 percent growth projected for livestock inlcudes targeted growth of nearly 4 percent for beef and dairy cattle, a more moderate rate for the swine sector, and a decline in poultry output.

The lower growth rate targeted for hogs and the planned decline in the poultry sector are designed in part to impede vegetable oilmeal imports, chiefly soybean meal.

The planned slowdown in poultry production is also a result of relatively poor prospects in distant export markets, such as Japan. Nevertheless, early indications were that procurement agencies expected larger supplies this year than last, so that more of these products would be available for the domestic market.

Hungary does not plan to import live breeding cattle in 1979 on a scale comparable to that of recent years. However, imports of a few breeding bulls and a substantial qualtity of Holstein-Friesian semen will be continued.

Hungary's shipments of canned hams to the United States during 1979 could show a strong rise over the 7,800 tons exported in 1978.

Oilseed production in 1979 is projected at about 420,000 tons from 249,000 hectares—an area nearly 4 percent larger than 1978's. As the country's oil crushing capacity is about 320,000 tons, production in excess will be available for export.

A sunflowerseed harvest of 280,000 tons has been projected, which would permit export of at least 70,000 tons of oil or seed.

Planned output of rapeseed, the second most important oilseed crop, may fall short of the 100,000-ton goal because of severe winter weather.

Soybean production may aproach 40,000 tons this year. The relatively small (25,000 hectares) area indicates that plant breeders have not yet been able to develop varieties suited to the Hungarian climate.

The rice harvest is projected at anywhere between 25,000 and 70,000 tons (rough basis), depending on the September weather. If an early freeze strikes again—as has been the case in each of the past 3 years—Hungary will have to import about 40,000 tons (rough).

Tobacco production is expected to total around 25,000 tons, up slightly from the 1978 level—an increase that should stabilize leaf import requirements.

Total output of fruit is expected to be 6-7 percent above the 1978 total to about 1.5 million tons. Grape production is expected to increase 14 percent over the 1978 level. □

Saudi Arabia

Farm Imports Still Soaring—$3 Billion Seen for 1979

Sparsely populated Saudi Arabia will be the Middle East's biggest importer of agricultural products this year, taking upwards of $3 billion worth, or 50 percent more than in calendar 1978 and 150 percent more than in 1977.

As in the past, the United States is sharing in this trade growth. But its sales are not keeping pace with total Saudi imports. Current forecasts place U.S. farm exports to Saudi Arabia at slightly more than $400 million, for about a 30 percent gain from the $315 million shipped in 1978 and 133 percent above the $171 million sold in 1977.

Some other suppliers, meanwhile, are capturing increased market shares, in this highly competitive market. The European Community alone will probably ship more than $800 million worth of food and beverages to Saudi Arabia this year, compared with only $86 million in 1973.

Nowhere in the world have agricultural imports grown so strikingly as in Saudi Arabia (and nearby United Arab Emirates) during the 1970's. This year's projected gain continues to reflect the impact of rising levels of living, Government subsidies on retail food prices, and improved marketing facilities.

New port facilities and modern grocery stores have made it easier to import food. Elaborate school lunch programs have caused a marked increase in imports of dairy products and bakery items. Immigrant workers—now numbering some 2.5 million—have pushed up population numbers, while broadening the spectrum of import needs.

And the tremendous wealth within Saudi Arabia has put unprecedented buying power into the hands of a population that depends on imports for 80 percent of its food needs.

Total agricultural imports by the country rose from only $257.6 million in 1972 to $986.4 million in 1976. Lower world prices for many agricultural items held growth in import value to about 31 percent in 1977, when the level reached $1.3 billion. Then another upward surge began in the wake of price gains in rice, beverages, meat, wheat, and processed foods. Along with increased volumes, these higher prices pushed purchases to $2 billion last year and now the prospective $3 billion for 1979.

Initially, trade growth centered around staples, such as rice—still the No. 1 import—and wheat flour, but today Saudi Arabia is fast becoming the world's leading importer of a long list of agricultural commodities.

For instance, the scarcity and high cost of a product normally taken for granted—water—has contributed to sharp gains in Saudi imports of beverages. Total Saudi imports of beverages are expected to exceed $500 million in 1979, with fruit juices, milk, and soft drinks each valued at $100 million or more.

Other products whose value will likely surpass $100 million are frozen poultry, wheat, bakery products, canned vegetables, and, of course, rice.

Value of rice imports is expected to reach $210 million this year, compared with $212 million in 1978, while volume climbs to 500,000 tons from 380,000. U.S. rice exports to Saudi Arabia soared from 90,400 tons in

Kenya

Record Wheat Imports Likely Following Poor Harvest

Kenya's wheat requirements continue to rise as the domestic supply in that East African country falls further behind consumption needs. As a result, Kenya's wheat imports in 1978/79 could reach a record level of 80,000 metric tons, putting pressure on the country's balance of payment deficit already aggravated by high prices for imported petroleum.

Kenya's agricultural production slowed almost to a standstill in 1978 after registering a sharp increase the year earlier. Foreign exchange earnings declined last year, primarily because of a drop in export prices for coffee and tea—Kenya's major exports.

Although corn production was a record 2.35 million tons in 1977, exports were minimal during 1977/78 because the producer price of nearly $119 a ton was above world market levels.

While surplus problems were encountered with corn and producer prices were reduced in early 1979, wheat production remained static in the face of growing demand.

Kenya's wheat outturn for 1978/79 is estimated at 155,000 tons versus a potential of about 200,000 tons under optimum growing conditions. The low wheat yield is attributed to harvesting losses, rust, wild oats, and Quelea bird damage. This disappointing crop followed a poor 1977/78 harvest of 144,000 tons—20 percent below the year-earlier level—as wheat yields of about 1.2 tons per hectare were the lowest since 1965/66.

Meanwhile the country's wheat consumption has trended upward, increasing during 1976-78 to about 250,000 tons or about 17 kilograms per capita. To bridge the gap, Kenya's wheat imports are expected to hit a new high in 1978/79, compared with 69,000 tons in 1977/78 and only 7,000 tons in 1976/77.

In response to the wheat supply deficit, the Government in May increased the producer price of wheat 12.5 percent to the equivalent of $198.66 per ton, effective July 1, 1979. On July 17, the retail price of white bread was allowed to increase by about 6 percent.

The results of Government efforts to offer greater incentives for farm production while attempting to restrain consumer prices has put a severe squeeze on the profit margins for marketing with marketing boards caught in the middle.

In Kenya both wheat and barley are grown at high altitudes and some production areas overlap. Because malting barley prices have been attractive to farmers, barley area has increased almost 3.5 times since the late 1960's to 35,000 hectares. During the same period, wheat area has declined from 137,000 hectares to 117,000 in 1978.

Prices and average yields are other factors favoring barley over wheat. The 1978 wheat price was about $183 per ton while that for malting barley was $198.22 per ton. During 1976-78, barley yields were estimated at 1.6 tons per hectare; wheat yields at 1.4 tons per hectare.

Kenya's domestic wheat prices have not been closely related to the world market. When world wheat prices began rising sharply in 1973, Kenya's producer prices for wheat did not increase until 1975. Then, when world market prices started falling in 1976 and 1977 Kenya's wheat prices began increasing again.—*By Lawrence A. Witucki, Economics, Statistics, and Cooperatives Service.* □

1977 to 237,000 in 1978 and then slowed in early 1979 as large Saudi stocks discouraged purchasing in general. However, purchases have since picked up, and U.S. rice exports to the country are seen reaching 250,000 tons in 1979.

Among other rice suppliers, Thailand may ship 150,000 tons in 1979, according to observers in Bangkok.

Wheat imports also are moving up rapidly, as the country continues to shift to it and away from wheat flour. Total wheat imports could surpass 600,000 tons, compared with 150,000 in 1978.

U.S. exports of wheat to Saudi Arabia are likely to exceed 300,000 tons in 1979—up fourfold from those in 1978.

Saudi imports of livestock and livestock and dairy products continue their rapid growth of recent years and may hit $760 million in 1979, compared with only $126 million in 1973.

Among the gainers, imports of poultry meat—largely from the EC, Hungary, and Brazil—are forecast at 150,000 tons, against an estimated 105,000 in 1978 and only 10,000 in 1972. Imports of beef may reach 30,000 tons to almost double the 1978 level.

Also rising in importance are apples, margarine, tea, corn, grain sorghum, and numerous processed products.—*By John B. Parker, Jr.; Economics, Statistics, and Cooperatives Service, USDA.* □

Saudi Arabia: Major Agricultural Imports by Value, Annual 1974-78, 1979 Estimate

(In millions of dollars)

Commodity	1974	1975	1976	1977	1978	1979
Rice	85.7	110.0	111.8	127.0	212.0	270.0
Soft drinks	1.1	1.7	11.2	45.0	85.0	170.0
Fresh poultry	18.7	38.6	71.3	87.0	110.0	165.0
Milk	33.5	33.4	51.5	65.0	95.0	155.0
Bakery products	11.1	17.0	20.6	33.0	90.0	150.0
Fruit juices	13.6	12.1	56.5	79.5	105.0	150.0
Canned vegetables	8.2	18.0	16.6	21.0	55.0	100.0
Wheat	19.0	2.8	5.1	12.0	20.0	80.0
Animal feed	8.4	11.9	13.1	16.0	55.0	80.0
Sheep & goats	32.4	43.0	52.7	53.0	62.0	70.0
Mutton	1.3	2.1	14.1	16.0	25.0	70.0
Apples	4.9	5.8	7.0	18.0	35.0	70.0
Barley	2.8	1.7	3.8	4.0	3.0	65.0
Vegetable oils	12.7	17.0	24.0	30.0	45.0	65.0
Beef	2.6	5.1	13.6	20.0	40.0	60.0
Eggs	5.9	6.9	8.0	15.0	40.0	60.0
Wheat flour	43.4	73.0	96.1	85.0	75.0	60.0
Tea	8.2	9.7	18.7	40.0	50.0	60.0

Source: Saudi trade statistics through 1976 and forecasts for subsequent years, based on information provided by supplying countries.

Australia

Lower Tariffs on Vegetable Oil Imports

Australia's moderate reductions in tariffs on vegetable oils are expected to have little effect on imports of these products from the United States, according to the U.S. Agricultural Attaché, Canberra.

Crude, refined, and processed vegetable oils falling within tariff items 15.07.2, 15.07.9, and 15.08.2-15.08.9 are now dutiable in Australia at 10 percent ad valorem. The affected oils are corn, peanut, rapeseed, soybean, cottonseed, linseed, mustard, safflower, sunflower, and other soft oils.

An Australian Industries Assistance Commission report had recommended a duty rate of 5 percent, but the Government set the rate at 10 percent following further comment from industry and Government officials.

The new rate will bring a reduction equal to about US$11.10 per metric ton in the basic rate of $77.85 per ton for soybean, linseed, and sunflowerseed oil.

The rate on cottonseed oil is reduced by the equivalent of $4.44 per ton, while the rate for corn oil remains unchanged and the rate on safflower oil is increased by $4.44 per ton.

The only edible oil exported by the United States to Australia in significant quantities is cottonseed oil. U.S. exports of this oil to Australia—valued at $23,000 in 1976—jumped to more than $1.6 million in 1977.

Abolition of preferential duty for rapeseed oil from Canada boosts the duty for this oil by $18.87 per ton and places all sources on the same basis. Previously, rapeseed oil from Canada was subject to a duty equal to $51.62 per ton, compared with $77.85 per ton for rapeseed oil from all other sources.

The same situation now applies to peanut oil from Papua New Guinea, which also had a preferential rate equal to $51.62 per ton. However, little peanut oil has been supplied by that country. Because of the high value of peanut oil, the duty will rise $33.30 per ton.

Epoxidized vegetable oils falling within tariff item 15.08.1 will be dutiable at 25 percent ad valorem, compared with 30 percent previously. This fairly high rate was considered necessary to protect small producers of epoxidized oils.

All animal fats and oils, which previously were subject to duties ranging from 6 percent ad valorem for beef, sheep, or goat fats to 15 percent for wool grease and lanolin or other substances derived from wool fats, will now be either admitted duty-free or at minimum rates. Hard oils also remain duty-free.

Margarine other than polyunsaturated margarine and other prepared edible animal fats falling within tariff item 15.13 that were previously subject to duties equal to about $1.06 per kilogram and 7 percent primage duty, or 36 U.S. cents per kilogram and 3 percent primage duty, will now be dutiable at 10 percent ad valorem.

Polyunsaturated margarines falling within tariff item 15.13 are to be dutiable at 20 percent ad valorem, with the level of protection to be reviewed again in 2 years. The Government also decided to accept the Commission recommendation that present coloring requirements for imported margarine be removed immediately.

The Government accepted the Commission recommendation that the prohibition on export of oilseed meals except under permit, and the shortfall by-law provisions for duty-free entry of vegetable oils and fats should no longer apply.

India

WWA Baking Consultant Helps To Upgrade Loaf Bread

Western Wheat Associates, U.S.A. (WWA) Baking Consultant Irving Walsh spends much of his time traveling in Asia to give seminars to bakers in the 15-country region served by WWA.

His latest trip in July and August was to eight nations, including India, Malaysia, Singapore, and Thailand.

In India, Walsh spent a week studying baking production methods and making suggestions on ways to upgrade bread quality. He also demonstrated several new procedures for producing wheat-based baked foods.

One of his "clients" during his Indian trip was a Government-sponsored baking chain whose 13 plants annually produce over 120 million 1-pound loaves of high-quality bread. (See photo.)

Walsh's trip was part of the market development program of Western Wheat Associates, U.S.A., which marks its 20th anniversary this year as a USDA cooperator. □

Discussing bread and pastry making (from left): Pat Kandhari, WWA Director for India, Irving Walsh, WWA baking consultant, and R. S. Pal, Chief Executive Officer of 13-plant Indian Government baking chain.

TRADE BRIEFS

New Highs Likely For U.S. Corn Exports In 1979/80, Bergland Says

U.S. corn exports are expected to continue a record-repeating performance, with new highs in both volume and value likely for 1979/80, Secretary of Agriculture Bob Bergland recently told a roundtable meeting of Michigan weekly newspaper editors . . . "With feedgrain demand generally strong worldwide, and increased import requirements in the Soviet Union and Europe, we're looking for an increase next year of about 15 percent in export volume and a sharp boost in value, to as much as $8 billion," Bergland said . . . the most recent USDA estimate for fiscal 1979, ending September 30, is for corn exports of about 55.2 million tons valued at about $6 million . . . an increase of 15 percent in 1979/80 would mean exports of about 63.5 million tons, representing about 35 percent of the estimated 1979 corn production.

Price Boost Seen Spurring Farm Output In Brazil

Support price increases averaging 68.5 percent (12.3 percent in real terms) should help bolster Brazil's 1979/80 production of 21 leading commodities . . . new prices, announced August 8, aim for 10-percent area expansion to offset impact of drought in the past 2 years, which curbed growth in Brazil's soybean and product exports and necessitated large imports of wheat and other staples . . . real increases in soybean prices are up 40 percent; rice, 17.2; corn, 11.4; manioc, 11.0; and black beans, 10.6.

Norway Expects Early Opening Of Apple, Pear Import Seasons

An expected reduction in Norway's apple and pear production this year points to a possible earlier opening of the import season, providing that the final crop is as low as currently forecast and a normal marketing season develops . . . early to mid-January has been mentioned as possible opening of the apple season, which normally begins Feburary 1, and mid-December for pears, compared with December 20 . . . among likely beneficiaries, U.S. apple exports are expected to rise to around 200,000 boxes from 155,000 last season, and pears are estimated at 100,000 boxes against 90,000 in 1978/79.

Reports Indicate Heavy Fungus Damage To Canada's Tobacco

Spokesmen for Agriculture Canada report that an outbreak of *peronospera tobacina*, a fungus commonly called blue mold, has severely damaged Ontario's tobacco crop. Estimates of losses range from 20 to 50 percent, with a 30 percent crop reduction most likely . . . target production for Ontario's 1979 flue-cured crop was 230 million pounds . . . revenue losses to growers could approach Can$100 million . . . a crop setback of this size could reduce Canada's flue-cured exports, which were 25,700 tons in 1978—most of these exports go to the United Kingdom . . . if exports are maintained, Canadian manufacturers may increase imports to meet domestic demand.

GPW Board Approves Merger With WWA

Another step has been taken in the consolidation of Great Plains Wheat (GPW) and Western Wheat Associates (WWA) into a new foreign market development organization to be called U.S. Wheat Associates, Inc. . . . recently, the GPW board of directors voted unanimously to accept the merger, a move that follows similar action by the WWA board in June . . . "Such a merger will provide for a much stronger U.S. wheat farmer and Government funding foundation for foreign market development . . . and more efficient allocation of scarce financial and staff resources to achieve the goal of maximizing U.S. wheat exports," said Ole Sampson, chairman of the GPW board . . . the consolidation of the two FAS market development cooperators is tentatively scheduled for completion in 1980.

Prospects Bright for Thai Corn Production

Thailand's 1979 corn crop is seen reaching 3.4 million tons, or 13 percent above last year's . . . 1979/80 exports thus could climb to between 2.3 and 2.4 million tons from the 2.0 million shipped last season . . . in addition to traditional markets such as Japan and Taiwan, the USSR and the People's Republic of China are buying . . . trade reports indicate USSR may purchase up to 300,000 tons for Vietnam or other "Asian friends" . . . China said to be taking 100,000-150,000 tons of 1979-crop corn to balance its oil exports to Thailand.

Argentine Soybean Exports Skyrocketing

Argentina is well on the way toward its third straight record for soybean exports since the Government began permitting such exports in 1976 . . . shipments are forecast to reach 2.9 million metric tons in 1979/80 (April-March), against 2 million last season and 600,000 in 1977/78 . . . exports each month have been running well ahead of those at the same time last year and through August totaled more than 2.6 million tons . . . major destination is Western Europe.

Miami Trade Office Is the First of Six To Open This Year

The Miami Agricultural Trade Office was scheduled to open its doors on September 28, thus becoming the first of six FAS trade offices to open this year under the authority of the U.S. Agricultural Act of 1978 . . . the other five offices are set for Bahrain, Hamburg, Seoul, Singapore, and Warsaw, with additional offices planned for 1980 . . . the U.S. agricultural trade officer at the Miami office will be responsible for the Central American and Northern Caribbean trade area.

Hughes Lauds Record Exports Of U.S. Feed Grain

"A strong export market makes a strong domestic market," remarked FAS Administrator Thomas R. Hughes at a recent meeting of the U.S. Feed Grains Council in Vail, Colo. . . . "Since 1960, world feed grain consumption has risen by 65 percent, and world trade in feed grains is up by four times. At the same time, U.S. feed grains exports have gone up by more than six times, and the U.S. share of world trade in feed grains has risen by 24 percent to where the United States accounts for more than 65 percent of world trade in those commodities," he said . . . this strong performance reflects in part the 20-year relationship between FAS and the U.S. Feed Grains Council in creating, developing and expanding foreign markets.

WORLD AGRICULTURAL DAYBOOK

October

General

Date	Event
5	Holstein Forum, Madison, Wis.

Trade/Technical Team Visits

U.S. Teams Overseas

Date	Team	To
Sept. 16-Oct 2	U.S. Apomixes Group	Soviet Union
Sept. 30-Oct. 24	Seed Industry (ASTA) Group	China
6-20	National Cotton Council/ International Cotton Council President's Supervisory Visits to Asia	Japan, Hong Kong, China, Korea

Foreign Teams in the U.S.

Date	Team	To
Sept. 15-Oct. 3	Japanese Government Industry Seed Group	California, Minnesota, Maryland, Washington, D.C.
3-12	Irish Grasslands Group	Wisconsin, Colorado, Illinois, New York
Sept. 30-Oct. 8	Japanese Government-Industry Meat Group	Illinois, Colorado California, Washington, D.C.
Sept. 30-Oct. 13	Egyptian tobacco group	North Carolina, South Carolina Virginia, Washington, D.C.
Sept. 25-Oct. 9	USSR Poultry Production Group	New York, Georgia, North Carolina, Washington, D.C.
14-29	Far East Spinners' Orientation Group	California, Arizona, Texas, Mississippi, Tennessee, N. Carolina, New York
Sept. 15-Oct. 25	German Margarine Producers' Group	Illinois, Missouri, Louisiana, Washington, D.C.
Oct. 20-Nov. 3	Italian livestock producers	Virginia, Wisconsin, California, Texas, Washington, D.C.
Late Oct., early Nov. (2 weeks)	Egyptian Animal Fat/Protein Meals Group	Eastern U.S., including Washington, D.C.

Trade Fairs and Exhibits

Date	Event	Location
1-8	National Livestock Show	Mexico City
15-17	Solo U.S. Exhibit	Manamah, Bahrain
24-25	Solo U.S. Exhibit (Health Foods)	London
27-29	Solo U.S. Exhibit (Health Foods)	Paris

Meetings

Date	Organization and location
3-5	OECD Working Party on Agricultural Policy, Paris
5-6	U.S.-USSR Grain Consultation, Washington, D.C.
8-10	FAS/Cooperator Market Development Workshop, Williamsburg, Va.
8-12	UNCTAD/IPC 3rd Preparatory Meeting on Vegetable Oils and Oilseeds, Geneva.
8-19	UNCTAD Trade and Development Board, Geneva.
9-11	OECD Committee for Agriculture, Paris.
9-15	ESCAP Committee on Agricultural Development, Dacca
15-18	U.S.-USSR Grain Symposium, Moscow.
15-19	FAO Committee on Commodity Problems, Rome.
16-17	GATT Group Meeting on Post-MTN Work Program, Geneva.
18	Agribusiness Export Seminar, Orlando, Fla.
22-26	UNCTAD Talks on Common Fund Negotiations, Geneva.

Deadlines

Date	Event
1	Fourth estimate of U.S. meat imports.

New ICC Assessment System Accepted

At the special meeting of its General Assembly on July 31, the International Institute for Cotton (IIC) voted to change the assessment system that has been in effect since it was founded in 1966. The move is expected to make larger sums available for the group's market development projects.

The old levy system was based on a charge of $1 per bale on exports of raw cotton from member countries to the program areas of Western Europe and Japan. Changes in the pattern of raw cotton trade and a shift from trade in raw cotton to cotton textiles made the old system obsolete. In addition, some prospective member countries objected to the old levy system since it made no allowance for the member's relative state of development.

Under the new assessment system, the levy will be based on net exports of cotton and the cotton content of cotton textiles to all destinations except noncommercial trade, trade between member countries, and trade with third countries whose exports of cotton textiles to Western Europe and Japan are negligible. This formula will be used to determine the proportion of the annual budget to be paid by each member country, with the actual amount being decided each year. The assessment will be further adjusted in four increments, depending upon the stage of economic development, as determined by per capita income.

Countries with per capita income of less than $250 annually will pay half of a full assessment, while those with a per capita income of $1.501 or more will pay the full assessment amount. Intermediate assessment steps are $251-$750, 70 percent, and $751-$1,500, 90 percent. □

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Japanese Food Buyer Team Visits Five Major U.S. Cities

Spurred by the success of a similar buying team last year, a 69-member team of Japanese buyers recently completed 20 days of food shopping in five major U.S. cities. Several millions of dollars in sales resulted, but no firm figure was available.

During August 16-September 1, the team viewed exhibits of U.S. processed and consumer-ready foods displayed by 275 U.S. small- and medium-sized firms in New York, Chicago, Atlanta, Portland (Ore.), and Los Angeles.

Team members represented Japanese department stores, supermarkets, wholesale firms, and trading companies.

The group was organized by the U.S. Agricultural Counselor in Tokyo; its activities here were coordinated by the Foreign Agricultural Service, the State Departments of Agriculture of Washington, Oregon, and Idaho, and three State regional export groups—the Eastern U.S. Agricultural and Food Export Council (EUSAFEC), the Mid-America International Agri-Trade Council (MIATCO), and the Southern U.S. Trade Association (SUSTA).

Japan is the largest single customer for U.S.agricultural products, importing $4.4 billion worth in 1978. Roughly 15 percent of this amount is made up of consumer-ready foods.

Among the most popular items with the Japanese buyers this year were processed turkey, salmon, poultry, and egg products. New-to-market items, such as heat-and-serve cakes, drew particular interest from the Japanese.

Most of the U.S. exhibitors were pleased with the results of the team's visit. Many stated that they didn't necessarily expect to sell a lot on the spot; it's part of a building process—meeting buyers, getting to know them, stirring interest, and then following up on the contacts they had made.

Several of the U.S. exhibitors were leaving for Japan within the next few weeks to pursue the trade leads they had developed, and to build new ones.

The Japanese team said it would like to see another buying mission come to the United States next year during September, possibly visiting cities that were not included on the buying tour this year.

Judging by the success of this year's team, that possibility appears likely. □

No Change Seen In Czech Imports Of Soybean Meal

Domestic sources—chiefly pelleted alfalfa hay and animal protein—are expected to supply Czechoslovakia's increased need for protein meal during 1979/80.

Depending on prices, soybean meal imports from the United States may total 200,000-250,000 tons, about the same as last year. Up until September, the price of Brazilian meal sold to Czechoslovakia was approximately $4.00 per ton lower than that for U.S. meal. Total soybean meal imports during 1979/80 are expected to remain at about the same level as last year's, namely 500,000 tons.

Pork output in 1979 is not expected to rise above last year's level. In the year's first half, hog slaughter was down 1.5 percent, cattle slaughter up 3.5 percent. Poultry production, however, should be up 10-15 percent for the full year, with no gain expected in milk and egg production.

Since Czechoslovakia has no appreciable capacity for soybean processing, soybean import requirements should remain at about 5,000 tons, mostly from the United States. Most of this is used by the chocolate industry.